



# China Maple Leaf Educational Systems Limited 中國楓葉教育集團有限公司\*

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 1317

## 2021 ANNUAL REPORT



\* For identification purposes only

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Shu Liang Sherman Jen

*(Chairman and Chief Executive Officer ("CEO"))*

Ms. Jingxia Zhang

*(Chief Financial Officer ("CFO"))*

Mr. James William Beeke

### Independent Non-executive Directors

Mr. Peter Humphrey Owen

Mr. Alan Shaver

Mr. Lap Tat Arthur Wong

## AUDIT COMMITTEE

Mr. Lap Tat Arthur Wong *(Chairman)*

Mr. Peter Humphrey Owen

Mr. Alan Shaver

## REMUNERATION COMMITTEE

Mr. Peter Humphrey Owen *(Chairman)*

Mr. Alan Shaver

Mr. James William Beeke

## NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Shu Liang Sherman Jen *(Chairman)*

Mr. Peter Humphrey Owen

Mr. Alan Shaver

## COMPANY SECRETARY

Ms. Jen Shu Ling

## AUTHORIZED REPRESENTATIVES

Ms. Jingxia Zhang

Ms. Jen Shu Ling

## AUDITORS

Deloitte Touche Tohmatsu

*Registered Public Interest Entity Auditors*

## LEGAL ADVISORS

### As to Hong Kong law

LCH Lawyers LLP

### As to PRC law

Tian Yuan Law Firm

Jingtian & Gongcheng

### As to Cayman Islands law

Maples and Calder (Hong Kong) LLP



## CORPORATE INFORMATION

### REGISTERED OFFICE

Maples Corporate Services Limited  
P.O. Box 309, Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No.76, Baohe Avenue  
Baolong Community  
Baolong Street, Longgang District  
Shenzhen, Guangdong Province 518000  
China

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1302, 13/F., Tai Tung Building  
8 Fleming Road, Wan Chai  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited  
P.O. Box 1093, Boundary Hall, Cricket Square  
Grand Cayman, KY1-1102  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### STOCK CODE

1317

### COMPANY WEBSITE

[www.mapleleaf.cn](http://www.mapleleaf.cn)

### INVESTOR RELATIONS

Email: [ir@mapleleaf.net.cn](mailto:ir@mapleleaf.net.cn)  
Address: Room 1302, 13/F., Tai Tung Building  
8 Fleming Road, Wan Chai, Hong Kong



# LETTER FROM THE CHAIRMAN



Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of China Maple Leaf Educational Systems Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, collectively the “**Group**”), I am pleased to present the annual report comprising the consolidated results of the Company for the year ended 31 August 2021.

## RESULTS AND DIVIDENDS

On 14 May 2021, the PRC State Council announced 《中華人民共和國民辦教育促進法實施條例》 (the Regulations for the Implementation of the Private Education Promotion Law of the People’s Republic of China) (the “**Implementation Regulations**”), which came into effect on 1 September 2021. The Implementation Regulations impose significant uncertainties and restrictions on the Group’s control over the affiliated entities operating private schools that offer compulsory education consisting of six years of primary school education and three years of middle school education to PRC residents and not-for-profit schools that provide preschool education in the People’s Republic of China (“**PRC**” or “**China**”) (the “**Affected Schools**”). As the Implementation Regulations have been in effect for a relatively short period of time, and local governments have not yet issued corresponding classifications management regulations and rules for the Implementation Regulations, based on the advice of our PRC legal advisor, there are uncertainties concerning the validity and enforceability of the current contractual arrangements between the Group and the Affected Schools and therefore it could not be concluded that they are legally binding and enforceable upon the Implementation Regulations becoming effective on

1 September 2021. Consequently, the Directors considered that by the end of 31 August 2021, it was no longer practicable for the Group to make and enforce relevant decisions for its own benefit as a principal in accordance with the contractual arrangements with the Affected Schools and the Group lost control over the Affected Schools on 31 August 2021. The Affected Schools were deconsolidated from the consolidated financial statements of the Company for the year ended 31 August 2021 and the operations of the Affected Schools were classified as discontinued operations as of 31 August 2021. Please refer to the section headed “Update on the Regulations for the Implementation of the Private Education Promotion Law of the People’s Republic of China” for further details.

The revenue of the Group from continuing operations was RMB941.0 million and RMB385.9 million for the year ended 31 August 2021 and 31 August 2020 respectively. The loss for the year ended 31 August 2021 was RMB671.9 million and the profit for the year ended 31 August 2020 was RMB43.4 million.

The total revenue from both the continuing and discontinued operations was RMB2,151.1 million and RMB1,528.6 million for the year ended 31 August 2021 and 31 August 2020 respectively. The Adjusted Net Profit (as defined below) for the year ended 31 August 2021 was RMB610.0 million, representing an increase of RMB72.7 million or 13.5% as compared to the year ended 31 August 2020. The Adjusted Net Profit Margin as calculated based on the Adjusted Net Profit was 28.4% and 35.1% for the year ended 31 August 2021 and 31 August 2020 respectively.

The Board has resolved not to declare a final dividend for the year ended 31 August 2021.

## LETTER FROM THE CHAIRMAN

### BUSINESS HIGHLIGHTS

The quality of Maple Leaf education is reflected in the achievements of our students. Despite the impacts of the pandemic globally, at the end of 2020/2021 school year, 1,778 Maple Leaf high school students of the class of 2021 (“**Class 2021 Students**”) received over 7,485 offer letters from universities in 17 countries. Moreover, 139 of our Class 2021 Students received offer letters from QS Top 10 universities including prestigious University College London and Imperial College London in the United Kingdom. In addition, 1,514 students, approximately 85.2% of our Class 2021 Students, received at least one offer letter from the Maple Leaf Educational Systems Global Top 100 universities.

In order to provide Maple Leaf graduates with a wider range of further education opportunities, the Group has entered into cooperation agreements with more than 20 well-known domestic universities, such as the Beijing Foreign Studies University, Beijing Institute of Technology, etc. These universities offer programs in various disciplines in cooperation with overseas universities. We will continue to increase cooperation with Chinese domestic universities, and offer a variety of options to our high school graduates.

### OUTLOOK

Following the promulgation of the Implementation Regulations, Maple Leaf has adjusted its development strategy from the pyramid structure to inverted pyramid structure and our high schools carry on a dual development scheme. We will focus on the development of high schools providing Maple Leaf World School Program (“**World School Program**”), with moderate development of regular high schools whereby students are sitting for the National College Entrance Examination (“**Gaokao**”).

We will expand online education offering the World School Program, English as a second language (“**ESL**”) curriculum and Chinese as a second language (“**CSL**”) curriculum as well as certificate examination training or other new educational products to domestic and overseas learners.

In addition to providing the academic education services, the Group also plans to further develop education industry chain business which previously provided services only to

Maple Leaf students internally. We plan to offer professional catering services for universities, boarding schools, institutions, and corporate canteens; and provide services of supplies of school uniforms and professional uniforms for various schools, institutions and corporate customers. We strive to forge Maple Leaf brand to a professional catering and professional uniforms brand and contribute additional income for the Group.

Overseas expansion is an important part of the Group’s long-term growth strategy. The Group believes that a global presence of Maple Leaf branded schools will help the Group’s student recruitment in China as Chinese parents recognise that Maple Leaf is able to offer a broader array of educational opportunities for their children. In fact, the demand for bilingual English and Chinese education is growing not only in China but also along the Belt and Road countries, such as Southeast Asia, and around the world, such as the North America. Accordingly, the Group believes that with its unique advantages in having both English and Chinese curricula, and both ESL and CSL curricula, it is precisely positioned to meet the demand for quality international preschool to grade 12 (“**K-12**”) education along the Belt and Road countries, where there is a demand for blending the best of Western and Eastern cultures. The Group will further expand its school network under the brand of Canadian International School and Kingsley International School in the Southeast Asian countries.

### APPRECIATION

I would like to express my heartfelt gratitude to our students’ parents, the local governments, and our Shareholders for their continuing support on behalf of the Board. I also wish to thank our fellow Board members and senior management for their contributions and hard work during the year and extend my appreciation to our management, teachers and staff for their endeavours and commitments in providing the highest quality education for tens of thousands of Maple Leaf students.

Shu Liang Sherman Jen  
**China Maple Leaf Educational Systems Limited**  
*Chairman and Chief Executive Officer*

Hong Kong, 13 December 2021



# CORPORATE PROFILE

## CORPORATE PROFILE

With over 26 years of experience in operating international schools in China, the Group is one of the leading international school operators in China in terms of student enrolment, offering high quality and bilingual education, combining the merits of both Western and Eastern educational philosophies.

Maple Leaf World School Program (“**World School Program**”) is the first international program with oriental cultural characteristics in the world. It cooperates with two of the world’s largest educational institutions, benchmarking by UK ENIC (formerly known as UK NARIC), and accreditation of Cognia (formerly known as AdvancED). As of 31 August 2021, we have received official support letters from 113 universities in 12 countries and have successfully promoted World School Program in domestic universities in China. We are confident that World School Program will become a top international education program equivalent to the A-Level and International Baccalaureate (the “**IB**”) programs in the future.

Our overseas school, Kingsley International School (“**KIS**”) offers A-Level program from preschool to Year 12 students in Malaysia. KIS targets at mainly local students and also international students primarily from Asian countries. Canadian International School (“**CIS**”) offers the IB curriculum from preschool to Year 12 students across two campuses, the Tanjong Katong campus and the Lakeside campus, in Singapore. CIS is one of the largest for-profit premium international schools in Singapore in terms of revenue and student enrolment, and targets expatriate families employed in Singapore, especially those from the United States, India and other Asian countries. CIS is well known for its highly acclaimed bilingual English/Chinese program where students are fully immersed culturally and taught by qualified native English speakers who are also IB certified.

# FIVE-YEAR FINANCIAL SUMMARY

## RESULTS

	Year ended 31 August				2021 RMB'000 (Note 2)
	2017 RMB'000 (Note 1)	2018 RMB'000 (Note 1)	2019 RMB'000 (Note 1)	2020 RMB'000 (Note 2) (Restated)	
Revenue	1,083,182	1,341,267	1,570,231	385,882	<b>941,015</b>
Cost of revenue	(543,331)	(717,163)	(835,397)	(228,405)	<b>(525,265)</b>
Gross profit	539,851	624,104	734,834	157,477	<b>415,750</b>
Profit (loss) before tax	440,662	547,879	680,899	56,997	<b>(625,815)</b>
Profit (loss) for the year	413,723	538,403	654,169	43,425	<b>(671,919)</b>
Adjusted Net Profit (Note 3)	437,227	592,393	690,263	537,262	<b>609,968</b>
Basic earnings (loss) per share (RMB cents)	15.32	19.02	22.20	1.46	<b>(22.62)</b>

Profitability Margins	Year ended 31 August				2021 (Note 2)
	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)	2020 (Note 2) (Restated)	
Gross profit margin	49.8%	46.5%	46.8%	40.8%	<b>44.2%</b>
Net profit (loss) margin	38.2%	40.1%	41.7%	11.3%	<b>(71.4%)</b>
Adjusted Net Profit Margin	40.4%	44.2%	44.0%	35.1%	<b>28.4%</b>

### Notes:

1. Financial information on continuing and discontinued operations.
2. Financial information on continuing operations.
3. The Adjusted Net Profit for the year ended 31 August 2021 was calculated as loss for the year from continuing operations, taking into account the profit from the Affected Schools which have been classified as discontinued operations, and excluding the impact from (i) amortisation of other intangible assets and depreciation of properties arising from acquisition; (ii) change in fair value of the Convertible Bonds (as defined below); (iii) share-based payments; (iv) change in fair value of contingent consideration; (v) dividend income from held for trading investments; and (vi) one-off impairment loss recognised in respect of property, plant and equipment, goodwill, right-of-use assets and other intangible assets. The financial results of the Affected Schools have been classified as discontinued operations upon deconsolidation on 31 August 2021 and the Adjusted Net Profit for the year ended 31 August 2020 has been restated. Please see the table headed "Calculation of the Adjusted Net Profit" below for further details.





## FIVE-YEAR FINANCIAL SUMMARY

### ASSETS AND LIABILITIES

	At 31 August				
	2017	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)
Non-current assets	2,672,680	3,005,907	3,475,273	8,291,609	<b>5,180,100</b>
Current assets	1,744,238	2,790,223	3,048,461	2,977,621	<b>2,701,122</b>
Current liabilities	1,566,413	1,866,728	2,018,979	4,584,093	<b>3,301,873</b>
Net current assets/(liabilities)	177,825	923,495	1,029,482	(1,606,472)	<b>(600,751)</b>
Total assets less current liabilities	2,850,505	3,929,402	4,504,755	6,685,137	<b>4,579,349</b>
Total equity	2,501,518	3,691,829	4,245,775	4,623,635	<b>1,388,857</b>
Non-current liabilities	348,987	237,573	258,980	2,061,502	<b>3,190,492</b>
Total equity and non-current liabilities	2,850,505	3,929,402	4,504,755	6,685,137	<b>4,579,349</b>

Selected Major Items	At 31 August				
	2017	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)
Property, plant and equipment	1,814,438	2,105,782	2,419,241	3,842,542	<b>2,002,303</b>
Bank balances and cash	1,649,296	2,220,694	2,762,328	1,310,907	<b>739,477</b>
Total borrowings	424,146	431,338	330,989	3,630,566	<b>3,382,248</b>
Deferred revenue	1,008,348	1,168,873	–	–	–
Contract liabilities	–	–	1,375,604	1,506,002	<b>441,673</b>

Liquidity	At 31 August				
	2017	2018	2019	2020	2021
	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 2)
Gearing ratio (Note 3)	0.17	0.12	0.08	0.79	<b>2.44</b>

Notes:

1. Financial information on continuing and discontinued operations.
2. Financial information on continuing operations.
3. The gearing ratio was calculated as total borrowings divided by total equity as at the end of the relevant financial year.

## FIVE-YEAR FINANCIAL SUMMARY

### DIVIDEND PER SHARE

	Year ended 31 August				2021 HK\$ cents
	2017 HK\$ cents	2018 HK\$ cents	2019 HK\$ cents	2020 HK\$ cents	
Interim dividend	3.0	4.0	4.7	–	–
Final dividend	4.3	5.1	5.6	–	–
Special dividend	–	–	–	–	–
<b>Total</b>	<b>7.3</b>	<b>9.1</b>	<b>10.3</b>	<b>–</b>	<b>–</b>

### NON-IFRS MEASURES

To supplement the Group's consolidated financial statements which are presented in accordance with the International Financial Reporting Standards (the "IFRS"), the Company also uses Adjusted Net Profit and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, IFRS. The Company believes that these non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impacts of items that the management does not consider to be indicative of the Group's operating performance. The Company believes that these measures provide useful information to the shareholders of the Company (the "Shareholders") and potential investors in understanding and evaluating the Group's consolidated results of operations in the same manner as they help the Group's management.

However, the use of these non-IFRS measures have limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS.

### CALCULATION OF THE ADJUSTED NET PROFIT

	Year ended 31 August	
	2021 RMB'000	2020 RMB'000 (Restated)
(Loss) profit for the year from continuing operations	<b>(671,919)</b>	43,425
Add: Profit from discontinued operations	<b>453,837</b>	465,654
Amortisation of other intangible assets and depreciation of properties arising from acquisition (including discontinued operations)	<b>80,519</b>	12,517
Change in fair value of the Convertible Bonds	<b>(52,737)</b>	–
Share-based payments (including discontinued operations)	<b>8,570</b>	16,177
Change in fair value of contingent consideration	<b>(1,420)</b>	–
Dividend income from held for trading investments	<b>(541)</b>	(511)
One-off impairment loss recognised in respect of		
– property, plant and equipment	<b>545,230</b>	–
– goodwill	<b>199,215</b>	–
– right-of-use assets	<b>46,798</b>	–
– other intangible assets	<b>2,416</b>	–
<b>Adjusted Net Profit for the year</b>	<b>609,968</b>	537,262



## FIVE-YEAR FINANCIAL SUMMARY

## FINANCIAL RESULTS OF THE GROUP BY CONTINUING OPERATIONS AND DISCONTINUED OPERATIONS

	For the year ended 31 August 2021		
	Continuing Operations RMB'000	Discontinued Operations RMB'000	Combined Total RMB'000
<b>Revenue</b>	<b>941,015</b>	<b>1,210,134</b>	<b>2,151,149</b>
Cost of revenue	(525,265)	(618,820)	(1,144,085)
Gross profit	415,750	591,314	1,007,064
Investment and other income	76,010	9,093	85,103
Other gains and losses	(736,628)	(478)	(737,106)
Impairment losses under expected credit loss model, net of reversal	1,765	–	1,765
Marketing expenses	(15,716)	(22,473)	(38,189)
Administrative expenses	(250,725)	(115,350)	(366,075)
Finance costs	(116,271)	(5,258)	(121,529)
<b>(Loss) profit before tax</b>	<b>(625,815)</b>	<b>456,848</b>	<b>(168,967)</b>
Taxation	(46,104)	(3,011)	(49,115)
<b>(Loss) profit for the year (before one-off losses upon deconsolidation of the Affected Schools)</b>	<b>(671,919)</b>	<b>453,837</b>	<b>(218,082)</b>
One-off losses upon deconsolidation of the Affected Schools	–	(2,905,548)	(2,905,548)
<b>Loss for the year</b>	<b>(671,919)</b>	<b>(2,451,711)</b>	<b>(3,123,630)</b>

	For the year ended 31 August 2020		
	Continuing Operations RMB'000	Discontinued Operations RMB'000	Combined Total RMB'000
<b>Revenue</b>	<b>385,882</b>	<b>1,142,726</b>	<b>1,528,608</b>
Cost of revenue	(228,405)	(586,978)	(815,383)
Gross profit	157,477	555,748	713,225
Investment and other income	47,950	11,824	59,774
Other gains and losses	7,243	18,271	25,514
Marketing expenses	(10,436)	(21,717)	(32,153)
Administrative expenses	(132,724)	(92,469)	(225,193)
Finance costs	(12,513)	(5,797)	(18,310)
<b>Profit before tax</b>	<b>56,997</b>	<b>465,860</b>	<b>522,857</b>
Taxation	(13,572)	(206)	(13,778)
<b>Profit for the year</b>	<b>43,425</b>	<b>465,654</b>	<b>509,079</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## The Group's Market Position

With over 26 years of experience in operating international schools in China, the Group is one of the leading international school operators in China in terms of student enrolment, offering high quality and bilingual education, combining the merits of both Western and Eastern educational philosophies.

Maple Leaf World School Program ("**World School Program**") is the first international program with oriental cultural characteristics in the world. It cooperates with two of the world's largest educational institutions, benchmarking by UK ENIC (formerly known as UK NARIC), and accreditation of Cognia (formerly known as AdvancED). As of 31 August 2021, we have received official support letters from 113 universities in 12 countries and have successfully promoted World School Program in domestic universities in China. We are confident that World School Program will become a top international education program equivalent to the A-Level and International Baccalaureate (the "**IB**") programs in the future.



Our high schools provide World School Program at the commencement of the 2020/2021 school year. Our unique programs and systems are designed to cultivate elite talents with a global perspective and proficiency in Chinese culture and wisdom. The Group targets mainly Chinese students from increasingly affluent middle-income families in China who aim to pursue higher education abroad and for whom our tuition fees are affordable and competitive.

China Maple Leaf Educational Systems Limited ("**Maple Leaf**") has relocated its headquarters to Shenzhen in March 2021. Shenzhen headquarters will be officially launched at the commencement of 2022/2023 school year. The relocation of the Group's headquarters to Shenzhen is a strategic move to ensure the success of the Group's sixth five-year plan (from 2020/2021 to 2024/2025 school years) (the "**Sixth Five-Year Plan**") and will help the Group to recruit and retain talents for its expansions in China and overseas. Moreover, the new headquarters will increase the brand awareness of the "Maple Leaf" brand and accelerate our business development in first-tier cities in China, especially in the Greater Bay Area.



## MANAGEMENT DISCUSSION AND ANALYSIS



Our overseas school, Kingsley International School (“KIS”) offers A-Level program from preschool to Year 12 students in Malaysia. KIS targets at mainly local students and also international students primarily from Asian countries. Canadian International School (“CIS”) offers the IB curriculum from preschool to Year 12 students across two campuses, the Tanjong Katong campus and the Lakeside campus, in Singapore. CIS is one of the largest for-profit premium international schools in Singapore in terms of revenue and student enrolment, and targets expatriate families employed in Singapore, especially those from the United States, India and other Asian countries. CIS is well known for its highly acclaimed bilingual English/Chinese program where students are fully immersed culturally and taught by qualified native English speakers who are also IB certified.

### University Placements

The quality of Maple Leaf education is reflected in the achievements of our students. Despite the impacts of the pandemic globally, at the end of 2020/2021 school year, 1,778 Maple Leaf high school students of the class of 2021 (“Class 2021 Students”) received over 7,485 offer letters from universities in 17 countries. Moreover, 139 of our Class 2021 Students received offer letters from QS Top 10 universities including prestigious University College London and Imperial College London in the United Kingdom. In addition, 1,514 students, approximately 85.2% of our Class 2021 Students, received at least one offer letter from the Maple Leaf Educational Systems Global Top 100 universities.

In order to provide Maple Leaf graduates with a wider range of further education opportunities, the Group has entered into cooperation agreements with more than 20 well-known domestic universities, such as the Beijing Foreign Studies University, Beijing Institute of Technology, etc. These universities offer programs in various disciplines in cooperation with overseas universities. We will continue to increase cooperation with Chinese domestic universities, and offer a variety of options to our high school graduates.

Maple Leaf maintains long-term relationships with a significant number of universities and colleges around the world. Various universities and colleges have memoranda of understanding with us to facilitate the admission process for our high school graduates. Our Group provides consulting services to assist our students in making informed decisions about the universities and colleges they choose to attend, and has held annual university and college recruitment fairs on our campuses since November 2005. In addition, we assist our students with respect to admissions, visas and scholarships, preparing them to study abroad. We believe that our services ensure a smooth transition for our students from our high schools to higher education.

## MANAGEMENT DISCUSSION AND ANALYSIS



### Update on the Regulations for the Implementation of the Private Education Promotion Law of the People's Republic of China

On 14 May 2021, the PRC State Council announced 《中華人民共和國民辦教育促進法實施條例》 (the Regulations for the Implementation of the Private Education Promotion Law of the People's Republic of China) (the “**Implementation Regulations**”), which came into effect on 1 September 2021. The Implementation Regulations lay down a concrete measure to implement the top-level design of the classification management system of the superior law – Private Education Promotion Law of the People's Republic of China – and help regulate and promote the policies of “classification management”, “classification support” and “classification development” of private education in China. It will help realise the development of private education with distinctive characteristics and high quality, and meet the diversified and selective needs of different families for education in the new era.

The restrictions in the Implementation Regulations on the prohibition of foreign participation in private schools that provide compulsory education and not-for-profit preschools by means of mergers and acquisitions, contractual agreements and related party transactions. The restrictions are intended to ensure the legitimate rights and interests of not-for-profit schools, especially to protect the property rights and interests of not-for-profit schools and to avoid the improper transfer of proceeds from the operation of not-for-profit schools.

The Implementation Regulations strengthen the supervision of compulsory education schools, and at the same time, specify that private education enjoys preferential taxation policies stipulated by the Chinese government. The Implementation Regulations grant for-profit schools the autonomy to charge fees, and encourage and support private schools to use internet technology to implement online education, grant private schools, which carry out higher education and secondary vocational and technical education, the autonomy to self-establish majors, designing courses and other greater autonomy, enriching the operation of and expanding student sources of private schools and facilitating the development of private schools.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Implementation Regulations impose significant uncertainties and restrictions on the Group's control over the affiliated entities operating private schools offering compulsory education and not-for-profit preschools. Based on the advice of our PRC legal advisor, there are uncertainties concerning the validity and enforceability of the current contractual arrangements between the Group and the Affected Schools and therefore it could not be concluded that they are legally binding and enforceable upon the Implementation Regulations becoming effective on 1 September 2021. Based on the reassessment of the contractual arrangements and the profound implications of the Implementation Regulations, the Company considered that the Group's ability to use its power from the contractual arrangements to direct the relevant activities of and its ability to affect its variable returns from the Affected Schools had ceased by 31 August 2021 immediately before the Implementation Regulations becoming effective. By the end of 31 August 2021, it was no longer practicable for the Group to make relevant decision to obtain significant variable returns from the Affected Schools. Consequently, the Group lost control over the Affected Schools on 31 August 2021 and the Affected Schools were deconsolidated from the consolidated financial statements of the Company for the year ended 31 August 2021 and the operations of the Affected Schools were classified as discontinued operations as of 31 August 2021.

In view of the impact of the Implementation Regulations, the Group has determined to take measures to optimise its operating structure to mitigate the impact of the Implementation Regulations. Such measures include, among others, transferring current students from high schools which are under the same operating licences with private schools providing compulsory education and/or not-for-profit preschools in the PRC (the "**Mixed High Schools**") to high schools that have their own operating licences in the PRC ("**Independent High Schools**") and making registration and filings with the relevant local government departments in Hainan, Henan and other provinces in the PRC for individual operating licences for the eight Mixed High Schools.

When more details or concrete implementation regulations in relation to the Implementation Regulations are announced by the local governments and subject to further negotiations with the local governments, the Group will implement the plans including, (a) registering the eight Independent High Schools as for-profit schools whose financial results are expected to be consolidated into the consolidated financial statements of the Group after the obtaining of the individual and for-profit operating licences for these Independent High Schools; (b) making registration and filings with the relevant local government departments to change the nature of licence of preschools from "not-for-profit" preschools to "for-profit" preschools; and (c) negotiating with the local governments on the feasibility of (1) divesting of the schools that provide compulsory education, including elementary schools and middle schools, through transfer, donation or other lawful means; and (2) negotiating possible future cooperation on mutually acceptable terms with respect to the Affected Schools, whereby the future cooperation is expected to involve the Group to continue to offer educational, operational, managerial and ancillary services to the Affected Schools in return for service fees after the divestment. It is also expected that less marketing fees will be incurred as the graduates of the Affected Schools will likely choose the high school education services offered by the Group.

The Group has adjusted its enrolment strategy from the pyramid structure to inverted pyramid structure in the Sixth Five-Year Plan, which focuses on its development of high schools providing World School Program. We will expand online education offering World School Program, ESL curriculum and CSL curriculum as well as certificate examination training or other new educational products to domestic and overseas learners.

Up to the date of this report, the Implementation Regulations have been in effect for a relatively short period of time, and local governments have not yet issued corresponding classification management regulations and rules for the Implementation Regulations, and as there are different policies and requirements for the implementation of the Implementation Regulations in various regions, it will be implemented when local governments issue relevant documents based on the actual situation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### The Impact of Covid-19

Despite the global pandemic of Covid-19, our schools in China resumed face-to-face teaching since the commencement of the 2020/2021 school year. Before the opening of schools, Maple Leaf has thoroughly cleaned and disinfected all campuses and ensured that various pandemic prevention supplies are sufficient to improve campus safety and safeguard the health and safety of all students and employees. The impact of Covid-19 on our schools in China has been further relieved.

Our overseas school, KIS targets at both local students and international students. CIS targets at expatriate families employed in Singapore and also international students. For the year ended 31 August 2021, CIS mainly delivered face-to-face teaching, while KIS conducted hybrid teaching by both face-to-face and online teaching due to the continuous lockdowns regulated by the Malaysian government in order to curb the Covid-19 pandemic. With the widespread vaccination and the stabilisation of the pandemic, we expect overseas countries will gradually lift travel restrictions and relax visa conditions, which will increase the student enrolment in our overseas schools, and benefit both domestic and overseas Maple Leaf schools.





## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

*The information contained in this section of Business Review contains information relating to both the continuing operations of the Group and the operations of private schools that provide compulsory education consisting of six years of primary school education and three years of middle school education to PRC residents and not-for-profit schools that provide preschool education in the PRC (i.e. the Affected Schools) which were deconsolidated from the consolidated financial statements of the Company since 31 August 2021. As a result of the deconsolidation of the Affected Schools on 31 August 2021, the operations of the Affected Schools have been classified as discontinued operations in the consolidated financial statements of the Company for the year ended 31 August 2021 under the International Financial Reporting Standards. Shareholders of the Company and potential investors should exercise caution when evaluating the business review of the Group for the year ended 31 August 2021.*

### Student Enrolment

	At the end of school year		At the end of school year	
	2020/2021	% of Total	2019/2020	% of Total
High schools*	7,596	16.6	8,280	18.2
Middle schools*	10,039	21.9	10,121	22.2
Elementary schools*	22,333	48.7	22,074	48.4
Preschools*	5,591	12.2	4,854	10.6
Foreign national schools	270	0.6	275	0.6
Total number of students enrolled	45,829	100	45,604	100

\* The Affected Schools include the Mixed High Schools, middle schools, elementary schools and not-for-profit preschools in the PRC.

The total number of students enrolled increased by 225 or 0.5% from 45,604 at the end of the 2019/2020 school year to 45,829 at the end of the 2020/2021 school year, which was primarily due to the improvement of school utilisation rate in Ji'nan, Yancheng and Xiangyang, China.

The Group has adjusted its enrolment strategy from the pyramid structure to inverted pyramid structure in the Sixth Five-Year Plan. Maple Leaf will focus on its development of high schools providing World School Program, with moderate development of regular high schools whereby students are sitting for Gaokao.



## MANAGEMENT DISCUSSION AND ANALYSIS

### The Group's Schools

The following table shows a summary of the Group's schools by category as at the end of the two financial years:

	As at 31 August	
	2021	2020
High schools*	18	18
Middle schools*	29	28
Elementary schools*	33	30
Preschools*	34	30
Foreign national schools	3	3
<b>Total</b>	<b>117</b>	<b>109</b>

\* The Affected Schools include the Mixed High Schools, middle schools, elementary schools and not-for-profit preschools in the PRC.

### The Group's Teachers

Teachers are the key to maintaining high-quality educational programs and services as well as maintaining our brand and reputation. Our certified teachers form a core group within our teaching staff, allowing us to maintain the quality of our educational services while undergoing expansion. Our Group has established a global recruitment office (the “**Global Recruitment Office**”) to recruit high school foreign teachers and ESL foreign teachers worldwide. The establishment of the Global Recruitment Office ensures both the quality and quantity of Maple Leaf foreign teachers and satisfies the development needs of the Group's Sixth Five-Year Plan.



## FUTURE DEVELOPMENT

Following the promulgation of the Implementation Regulations, Maple Leaf has adjusted its development strategy from the pyramid structure to inverted pyramid structure and our high schools carry on a dual development scheme. We will focus on the development of high schools providing World School Program, with moderate development of regular high schools whereby students are sitting for Gaokao.

We will expand online education offering the World School Program, ESL curriculum and CSL curriculum as well as certificate examination training or other new educational products to domestic and overseas learners.

In addition to providing the academic education services, the Group also plans to further develop education industry chain business which previously provided services only to Maple Leaf students internally. We plan to offer professional catering services for universities, boarding schools, institutions, and corporate canteens; and provide services of supplies of school uniforms and professional uniforms for various schools, institutions and corporate customers. We strive to forge Maple Leaf brand to a professional catering and professional uniforms brand and contribute additional income for the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Standard Implementation Strategy

Under the Standard Implementation Strategy, the Group launched the World School Program, China's first internationally accredited curriculum with self-developed intellectual property, at the commencement of 2020/2021 school year. The Group's first batch of graduates from the World School Program will receive Maple Leaf High School Graduation Diplomas in June 2023, endorsed by Cognia (formerly known as AdvancED). The World School Program was developed by Maple Leaf curriculum experts and meets high academic and curriculum standard, which will get students well equipped for entering into the world's top ranked universities. The Group has entered into an agreement with UK ENIC (formerly known as UK NARIC) to benchmark the Maple Leaf World School Curriculum with Canadian, USA, and UK curricula, and the Maple Leaf World School Curriculum is accredited by Cognia (formerly known as AdvancED) – two of the world's most recognised certification institutions – providing further assurances that Maple Leaf graduates will be able to seamlessly transit to universities across the globe.

### Overseas Expansion

Overseas expansion is an important part of the Group's long-term growth strategy. The Group believes that a global presence of Maple Leaf branded schools will help the Group's student recruitment in China as Chinese parents recognise that Maple Leaf is able to offer a broader array of educational opportunities for their children. In fact, the demand for bilingual English and Chinese education is growing not only in China but also along the Belt and Road countries, such as Southeast Asia, and around the world, such as the North America. Accordingly, the Group believes that with its unique advantages in having both English and Chinese curricula, and both ESL and CSL curricula, it is precisely positioned to meet the demand for quality international preschool to grade 12 ("K-12") education along the Belt and Road countries, where there is a demand for blending the best of Western and Eastern cultures. The Group will further expand its school network under the brand of CIS and KIS in the Southeast Asian countries.

### Conclusion

Pursuant to the Sixth Five-Year Plan, the Group will continue to adopt multiple expansion strategies including, but not limited to, increasing our enrolment, increasing tuition fee rate, building more asset-light schools, acquiring schools with synergy to the Group, and expanding our established schools to achieve the growth targets in both China and overseas, and strive to become one of the largest international school operators in the world.



## OTHER INFORMATION

### Issuance of US\$125.0 million 2.25%

#### Convertible Bonds due 2026

On 12 January 2021, the Company entered into a subscription agreement (the "**Subscription Agreement**") with UBS AG Hong Kong Branch (the "**Manager**"), under which the Manager agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, convertible bonds (the "**Convertible Bonds**") due 2026 in an aggregate principal amount of US\$125.0 million. The Manager informed the Company that it intended to offer and sell the Convertible Bonds to no less than six independent placees (who would be independent individual, corporate and/or institutional investors). The closing price of the ordinary shares of par value US\$0.0005 each in the share capital of the Company (the "**Shares**") quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on the date of the Subscription Agreement, i.e. 12 January 2021, was HK\$2.020 per Share. The net proceeds from the subscription of the Convertible Bonds, after deduction of underwriting commission and expenses, amounted to approximately US\$123.1 million. The issue of the Convertible Bonds can provide the Company with additional funds at lower funding cost. The Company intended to use the net proceeds from the issuance of the Convertible Bonds for the repayment of existing borrowings, acquisitions and general corporate purposes.

## MANAGEMENT DISCUSSION AND ANALYSIS

Based on the initial conversion price (subject to adjustments) of HK\$2.525 per Share and assuming full conversion of the Convertible Bonds, the Convertible Bonds will be convertible into approximately 383,881,188 new Shares (subject to adjustments) which will have an aggregate nominal value of approximately US\$191,940.59. The net price of each new Share, based on the net proceeds of US\$123.1 million and assuming the full conversion of the Convertible Bonds at the initial conversion price, is approximately HK\$2.487.

The new Shares (if any) are to be issued under the general mandate granted to the Directors pursuant to an ordinary resolution of the shareholders of the Company passed on 22 January 2020 to allot, issue and deal with, among other securities, up to 599,064,184 Shares. The issue of the Convertible Bonds is not subject to the specific approval of the shareholders of the Company.

The Convertible Bonds bear interest on their outstanding principal amount from and including 27 January 2021 at the rate of 2.25% per annum, payable semi-annually in arrears on 27 January and 27 July in each year until 27 January 2026, being the maturity date. Subject to the conditions as stipulated in the Subscription Agreement, each Convertible Bond shall entitle the bondholder to convert such Convertible Bond into new Shares credited as fully paid at any time on or after 9 March 2021 up to the close of business on the seventh day prior to the maturity date (i.e. 27 January 2026) (both days inclusive) (unless previously redeemed, converted or purchased or cancelled). On 27 January 2021, with the fulfilment of all conditions required for the Convertible Bonds under the Subscription Agreement, the Company issued the Convertible Bonds with an aggregate principal amount of US\$125.0 million for the repayment of existing borrowings, acquisitions and general corporate purposes. Permission for the listing of, and dealing in, the Convertible Bonds and the new Shares upon conversion of the Convertible Bonds on the Stock Exchange became effective on 28 January 2021.

As at 31 August 2021, all the proceeds had been applied for the repayment of the existing borrowings, acquisitions and general corporate purposes. For the year ended 31 August 2021, no conversion right attached to the Convertible Bonds was exercised by the bondholders and no Convertible Bonds were redeemed, purchased or cancelled by the Company. As at 31 August 2021, the Convertible Bonds issued by the Company in an aggregate principal amount of US\$125.0 million remained outstanding.

Assuming there is full conversion of the Convertible Bonds at the initial conversion price of HK\$2.525 per Share, the Convertible Bonds will be convertible into approximately 383,881,188 new Shares (subject to adjustment), representing approximately 12.82% of the total number of Shares in issue as at 31 August 2021 and approximately 11.36% of the total number of Shares in issue as enlarged by the allotment and issue of the new Shares (assuming no other change in the issued share capital of the Company). Such allotment and issue of the new Shares will result in the respective shareholdings of the shareholders of the Company being diluted by approximately 11.36%.

Please refer to the announcements of the Company dated 13 January 2021, 27 January 2021 and 28 January 2021 and the offering circular of the Company dated 22 January 2021 for further details.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Overview

Following the promulgation of the Implementation Regulations, the Group's management assessed the impact and concluded that (i) the assets and liabilities related to the Affected Schools comprising the not-for-profit preschools, private schools that provide compulsory education and the Mixed High Schools in the PRC were deconsolidated from the consolidated financial statements of the Group since 31 August 2021; and (ii) the financial results of the Affected Schools were classified as discontinued operations for the year ended 31 August 2021 and the prior year's comparative results have been restated throughout the consolidated financial statements. For further details, please refer to Note 11 to the consolidated financial statements: Discontinued Operations.

The revenue of the Group from continuing operations was RMB941.0 million and RMB385.9 million for the year ended 31 August 2021 and 31 August 2020 respectively. The loss for the year ended 31 August 2021 was RMB671.9 million and the profit for the year ended 31 August 2020 was RMB43.4 million.

The total revenue from both the continuing and discontinued operations was RMB2,151.1 million and RMB1,528.6 million for the year ended 31 August 2021 and 31 August 2020 respectively. The Adjusted Net Profit for the year ended 31 August 2021 was RMB610.0 million, representing an increase of RMB72.7 million or 13.5% as compared to the year ended 31 August 2020. The Adjusted Net Profit Margin as calculated based on the Adjusted Net Profit was 28.4% and 35.1% for the year ended 31 August 2021 and 31 August 2020 respectively.

#### Revenue

The revenue of the Group increased by RMB555.1 million, or 143.9%, from RMB385.9 million for the financial year ended 31 August 2020 to RMB941.0 million for the financial year ended 31 August 2021. Amongst the revenue of the Group for the year ended 31 August 2021, RMB369.5 million (approximately 39.3%) was contributed by the operations in the PRC, and RMB571.5 million (approximately 60.7%) was contributed by the operations overseas.

The total revenue from both the continuing and discontinued operations increased by RMB622.5 million, or 40.7%, from RMB1,528.6 million for the year ended 31 August 2020 to RMB2,151.1 million for the year ended 31 August 2021. The increase was primarily due to (i) the addition of revenue generated from the newly acquired overseas schools, CIS and KIS; and (ii) an increase in tuition fee rate.

#### Cost of Revenue

Cost of revenue increased by RMB296.9 million, or 130.0%, from RMB228.4 million for the financial year ended 31 August 2020 to RMB525.3 million for the financial year ended 31 August 2021. The increase was largely due to the increase in teaching staff costs, depreciation and amortisation, and other costs.

#### Gross Profit and Gross Profit Margin

Gross profit increased by 164.0% from RMB157.5 million for the financial year ended 31 August 2020 to RMB415.8 million for the financial year ended 31 August 2021. Our gross profit margin increased from 40.8% for the financial year ended 31 August 2020 to 44.2% for the financial year ended 31 August 2021, primarily due to (i) the addition of gross profit from newly acquired overseas school, CIS, and (ii) increase in the profit from certain schools due to the relief of the impact of Covid-19 pandemic in China.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Investment and Other Income

Investment and other income consist mainly of (i) interest income from our bank deposits, (ii) rental income from investment properties, and (iii) government grants. Investment and other income increased by 58.3% from RMB48.0 million for the financial year ended 31 August 2020 to RMB76.0 million for the financial year ended 31 August 2021. Bank interest income increased by 101.0% from RMB20.1 million for the financial year ended 31 August 2020 to RMB40.4 million for the financial year ended 31 August 2021.

For the financial year ended 31 August 2021, government grants increased by RMB10.5 million primarily due to more Covid-19 related subsidies received from government during this year.

### Other Gains and Losses

Other gains and losses consist primarily of (i) changes in fair value of the Convertible Bonds, and (ii) impairment loss, net of reversal of property, plant and equipment. Other gains and losses changed from a gain of RMB7.2 million for the financial year ended 31 August 2020 to a loss of RMB736.6 million for the financial year ended 31 August 2021. The change from a gain to a loss was mainly attributable to the combined effects of (i) gain arising from change in fair value of the Convertible Bonds of RMB52.7 million, and (ii) an increase in one-off impairment loss on property, plant and equipment, goodwill, right-of-use assets and other intangible assets by RMB793.6 million.

### Marketing Expenses

Marketing expenses increased by 51.0% from RMB10.4 million for the financial year ended 31 August 2020 to RMB15.7 million for the financial year ended 31 August 2021. Marketing expenses as a percentage of revenue decreased from 2.7% for the financial year ended 31 August 2020 to 1.7% for the financial year ended 31 August 2021, primarily due to CIS incurring less marketing expenses for the year ended 31 August 2021.

### Administrative Expenses

Administrative expenses increased by 88.9% from RMB132.7 million for the financial year ended 31 August 2020 to RMB250.7 million for the financial year ended 31 August 2021, mainly attributed from the addition of administrative expenses by newly acquired schools, KIS and CIS.

### Finance Costs

For the financial year ended 31 August 2021, finance costs mainly represented (i) interest expenses and related bank arrangement fees for secured bank borrowings, and (ii) interest expenses and issuance costs of the Convertible Bonds. Finance costs increased from RMB12.5 million for the financial year ended 31 August 2020 to RMB116.3 million for the financial year ended 31 August 2021 primarily due to the utilisations of bank borrowings to finance the KIS and CIS acquisition.

### Loss/profit before Taxation

The Group recorded a loss before taxation of RMB625.8 million for the financial year ended 31 August 2021, compared to a profit before taxation of RMB57.0 million for the financial year ended 31 August 2020. Loss before taxation as a percentage of revenue of the Group was 66.5% for the financial year ended 31 August 2021 and profit before taxation as a percentage of revenue of the Group was 14.8% for the financial year ended 31 August 2020.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Taxation

Income tax expense of the Group increased from RMB13.6 million for the financial year ended 31 August 2020 to RMB46.1 million for the financial year ended 31 August 2021, mainly due to the addition of enterprise income tax (the "EIT") expenses incurred by CIS.

### Impairment loss on property, plant and equipment, right-of-use assets and goodwill

#### Property, plant and equipment and right-of-use assets

The Group has deconsolidated the Affected Schools on 31 August 2021. There are certain property and equipment and right-of-use assets held by the consolidated affiliated entities of the Group (other than the Affected Schools) were occupied by the Affected Schools before the deconsolidation and are expected to be continuously occupied by the Affected Schools subsequent to the deconsolidation. The Group concluded that impairment indicators existed in relation to such assets due to the Implementation Regulations and deconsolidation of the Affected Schools and performed an impairment assessment on such assets with carrying amounts (before impairment) of RMB545.2 million and RMB46.8 million, for property and equipment and right-of-use assets, respectively.

When determining the recoverable amount of these assets, the Directors considered the fact that (1) there is currently no rental agreement with the Affected Schools on the use of such assets; (2) the Implementation Regulations prohibit the Affected Schools to conduct transactions with the related parties and the Group could not charge fees from the Affected Schools for the use of these assets upon the Implementation Regulations becoming effective on 1 September 2021; and (3) it is not practicable for the Group to remove such occupation which imposes significant restriction on these assets, and such restriction is a characteristic of these assets and not entity specific.

Based on the above assessment of the impacts of the Implementation Regulations and the related facts and circumstances of such assets, full impairment was made for these assets as at 31 August 2021.

Based on the result of the assessment, impairment losses of RMB545.2 million and RMB46.8 million (2020: RMB7.3 million and nil) have been recognised against the carrying amount of property and equipment and right-of-use assets, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Goodwill

Goodwill and trademarks with indefinite useful lives have been allocated to the cash generating units (“CGUs”) that are expected to benefit from the business combination. The recoverable amount of each CGU has been determined based on value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period and discount rate. Extrapolated growth rate used in cash flow projections is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue, such estimation is based on each CGU’s past performance and the management’s expectations for future market development. The cash flows projections, growth rates and discount rate have been reassessed as at 31 August 2021 taking into consideration higher degree of estimation uncertainties in the current year due to how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group’s operations.

During the year ended 31 August 2021, the management of the Company has taken into consideration (1) the current year performance of KIS and CIS, and (2) the development of the Covid-19 pandemic and its impact on international travelling and international students, which had direct impact on KIS and CIS’s forecasted international students numbers and consequently future performance outlook. The Company has appointed an independent professional valuer in performing the valuations of the CGUs in relation to KIS and CIS as at 31 August 2021. The Company conducted impairment assessments and determined the amount of impairment with reference to the valuation reports prepared by the independent professional valuer.

The assumptions adopted in the valuations in relation to the impairment of goodwill relating to KIS and CIS as at the acquisition date and respective balance sheet date are as follows:

	KIS CGU	
	31 August 2021	31 August 2020
Revenue (% compound growth rate)	33.7%	37.3%
Post-tax discount rate	14.0%	14.0%
Implied pre-tax discount rate	16.3%	16.2%
Cost and operating expense (% of revenue)	Average, 72.0%	Average, 71.9%

  

	CIS CGU	
	31 August 2021	26 August 2020 (Acquisition Date)
Revenue (% compound growth rate)	13.1%	14.9%
Post-tax discount rate	12.0%	12.0%
Implied pre-tax discount rate	14.0%	N/A
Cost and operating expense (% of revenue)	Average, 62.0%	Average, 61.3%

The compound revenue growth rates are determined by reference to a research and analysis prepared by management based on industry experience, information and data as well as estimates based on the latest impact of Covid-19 outbreak. The valuer assessed the reasonableness of the estimates by (i) analysing the variances between prior year budget with actual financial performance achieved by the CGUs; and (ii) comparing the variances with the adjustments made to the estimates.

The post-tax discount rate and implied pre-tax discount rate are based on the estimated weighted average cost of capital (“WACC”) developed by capital asset pricing model with reference to beta of publicly listed education companies.

The cost and operating expense percentage to revenue is determined by reference to the financial performance of each CGUs in previous year with adjustments made to reflect the expected future price rises in labour, rental and relevant equipment.





## MANAGEMENT DISCUSSION AND ANALYSIS

In the valuations of the CGUs in relation to KIS and CIS as at 31 August 2021, the estimated compound growth rates of revenue and operating profit margin declined as compared to the assumptions made in the previous year. It was mainly because management took into consideration the adverse effects of the Covid-19 pandemic on local economies, student enrolment of the CGUs and post-acquisition integration plans.

Based on the discounted cash flow analysis of KIS and CIS in the valuations, impairment were identified for both KIS and CIS. The income approach (discounted cash flow method) was used as the primary approach for the valuation of the enterprise value for the purpose of the goodwill impairment. The valuer considered three generally acceptable approaches, namely cost approach, market approach and income approach, in the impairment test. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of an enterprise on a going concern basis, as it does not capture future earning potential of the enterprise on going concern basis. Thus, it was not adopted in the valuation. The valuer considered the market approach and searched for public companies with business nature, principal place of operation and development stage similar to the CGUs. However, no publicly listed company is similar to the CGUs in all aspects. In view of the above, the valuer applied income approach as the primary approach for the valuation of the enterprise value and used market approach as secondary approach for reasonableness check in goodwill impairment.

For the year ended 31 August 2021, the Directors has determined impairment of goodwill directly related to KIS and CIS amounting to RMB66,086,000 and RMB133,129,000 respectively. Both KIS and CIS belong to the Overseas Segment of the Group. The impairment loss has been included in profit or loss in the other gains and losses line item of the Group's consolidated financial statements.

CIS is in the process of expanding the Lakeside campus, adding a new building with estimated capacity of 650 students. The targeted completion date of the new building will be at the end of January 2023 which enables CIS to use it for the entire semester 2 in academic year 2022/2023. The new extension is a state of art building including a 25-meter swimming pool, award winning outdoor discovery center and a theatre. It will be a dedicated "campus within the campus" for Early Childhood Education. The Covid-19 pandemic with tight border restrictions in Singapore is forecasted to continue to impact growth of the enrolment numbers. For academic year 2021/2022, it is expected that enrolment will see limited growth. A general tuition fee increment in the region of 2% will drive a small increase in total revenues as compared to academic year 2020/2021.

### Loss/profit for the Year

As a result of the above factors, in respect of its continuing operations, the Group recorded a change from a net profit of RMB43.4 million for the financial year ended 31 August 2020 to a net loss of RMB671.9 million for the financial year ended 31 August 2021. The change to a loss making position for the year ended 31 August 2021 is mainly due to the one-off impairment loss on property and equipment, goodwill, right-of-use assets and other intangible assets.

The Adjusted Net Profit for the year ended 31 August 2021 was RMB610.0 million, representing an increase of RMB72.7 million or 13.5% as compared to the year ended 31 August 2020. The Adjusted Net Profit Margin as calculated based on the Adjusted Net Profit was 28.4% and 35.1% for the year ended 31 August 2021 and 31 August 2020 respectively.

### Capital Expenditures

For the year ended 31 August 2021, the Group paid RMB122.3 million for property and equipment primarily related to the buildings for certain schools in Shenzhen, Wuhan, and CIS. For the year ended 31 August 2020, the Group paid RMB179.7 million for property and equipment primarily related to the buildings of schools in Wuhan and Tian Eco-city.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity, Financial Resources and Capital Structure

As at 31 August 2021, the Group's bank balances and cash amounted to RMB739.5 million, which were mainly denominated in USD and SGD. Bank balances and cash decreased mainly due to the deconsolidation of the Affected Schools.

As at 31 August 2021, the Group's bank borrowings were RMB2,628.6 million which were mainly denominated in SGD and MYR, with variable interest rates with reference to Singapore Interbank Offered Rate and with variable profit rate with reference to Malaysian bank's cost of fund. Of the Group's bank borrowings as at 31 August 2021, 96.9% will mature within one year and the remaining 3.1% will mature after one year. These bank borrowings were secured by the Group's bank deposits and investment properties.

As at 31 August 2021, the Convertible Bonds issued by the Company in an aggregate principal amount of US\$125.0 million due in 2026 remained outstanding. The Convertible Bonds bear interest on their outstanding principal amount from and including 27 January 2021 at the rate of 2.25% per annum, payable semi-annually in arrears on 27 January and 27 July in each year until 27 January 2026.

The Group expects that its future capital expenditures will primarily be financed by bank borrowings and its internal resources. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

### Gearing Ratio

The gearing ratio of the Group was calculated as total borrowings divided by total equity as at the end of the relevant financial year. Gearing ratio increased from 0.79 for the year ended 31 August 2020 to 2.44 for the year ended 31 August 2021 primarily due to the decrease in the total equity of the Group as a result of the deconsolidation of Affected Schools since 31 August 2021.

### Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures and liabilities are denominated in foreign currencies such as HKD, USD, CAD, MYR and SGD. As at 31 August 2021, certain bank balances and cash and liabilities were denominated in HKD, USD, CAD and SGD. The Group did not enter into any financial arrangement for hedging purposes as it is expected that its foreign exchange exposure will not be material.

### Discontinued Operations

On 14 May 2021, the PRC State Council announced the Implementation Regulations, which came into effect on 1 September 2021. As a result of the deconsolidation of the Affected Schools on 31 August 2021, the operations of the Affected Schools have been classified as discontinued operations in the consolidated financial statements of the Company for the year ended 31 August 2021 under the International Financial Reporting Standards. Please refer to Note 11 to the consolidated financial statements: Discontinued Operations for further details.

### Contingent Liabilities

On 15 November 2016, the Company received a writ of summons from Hong Kong Zhixin Financial News Agency Ltd. ("**Zhixin**") seeking among other things, specific performance of the consultancy agreement (the "**Agreement**") between the Company and Zhixin by the allotment and issue of 7,000,000 shares of the Company to Zhixin, and damages in lieu or in addition thereof ("**Zhixin Case**"). On 28 November 2016, the Company filed with the High Court of the Hong Kong Special Administrative Region (the "**High Court**") its acknowledgement of service of the writ and indicated its intention to defend the claim.



## MANAGEMENT DISCUSSION AND ANALYSIS

In December 2016, Zhixin took out an application for summary judgment against the Company. The hearing of the summary judgment application took place on 25 October 2017 in which Zhixin's application was dismissed. The case has now proceeded to the main trial stage.

On 29 January 2018, Zhixin filed its amended statement of claim to allege that it is entitled to 17,500,000 shares of the Company by virtue of an option provided in the Agreement. The date of hearing at the Court of First Instance of the High Court for the Zhixin Case is fixed on 16 May 2022.

Based on information currently available to the Company, it is not possible to estimate the financial effect of the Zhixin Case. As at 31 August 2021, the Company has not made any provision in respect of the Zhixin Case. The Company will provide an update as and when there is any material development in this matter.

The number of shares disclosed in the Zhixin Case has not considered the effect of share subdivision that became effective on 9 July 2018.

### Pledge of Assets

As at 31 August 2021, the Group pledged a total bank deposits of RMB1,548.2 million and certain investment properties with an aggregate carrying amount of RMB310.7 million to certain licenced banks for certain banking facilities.

### Material Acquisition and Disposal of Subsidiaries

On 22 June 2020, the Company announced that a sale and purchase agreement was entered into with Rainbow Readers Pte. Ltd. (the "**Seller**") to acquire 100% of the issued share capital of Star Readers Pte. Ltd. (the "**Target Company**") in two tranches. The Target Company is the sole shareholder of Canadian International School Pte. Ltd., the operator of CIS in Singapore; and Canadian International School Pte. Ltd. is the sole shareholder of Canadian School of Advanced Learning Pte. Ltd., a limited company incorporated in Singapore with the principal business of operating commercial school (collectively the "**Target Group**"). The acquisition constituted a major transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). Written shareholders' approval for the acquisition was given on 14 July 2020 and became unconditional on 20 August 2020. The shareholders' approval requirement in respect of the acquisition was satisfied in accordance with Rule 14.44 of the Listing Rules.

The first closing of the acquisition took place on 26 August 2020. Upon the first closing, the Company acquired 90% of the issued share capital of the Target Company at a consideration of SGD624.8 million (after adjustments). In accordance with the sale and purchase agreement, the second closing for the acquisition of the remaining 10% of the issued share capital of the Target Company shall take place after the end of academic year 2022.

Pursuant to the sale and purchase agreement, the aggregate consideration for 100% of the issued share capital of the Target Company and the settlement of the bank debt of SGD 680,000,000 is subject to the possible adjustments including closing adjustment (the "**Closing Adjustment**"), EBITDA adjustment amount (the "**EBITDA Adjustment Amount**"), enrolment adjustment amount (the "**Enrolment Adjustment Amount**") and earn-out amount (the "**Earn-out Amount**").

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group received the Closing Adjustment of approximately SGD9.3 million from the Seller as the Closing Adjustment was a negative figure based on the closing statement of the Target Group. As the aggregate number of fee-paying students of CIS in each of the 11 months from 1 August 2020 to 30 June 2021 (both months inclusive) was less than 3,250, the Earn-out Amount was a negative number. Therefore, no Earn-out Amount was payable by the Group to the Seller. As the adjusted EBITDA for academic year 2020 was more than SGD51.4 million, the EBITDA Adjustment Amount was a negative number. Therefore, no EBITDA Adjustment Amount was payable by the Seller to the Group. No Enrolment Adjustment Amount was payable by the Seller to the Group as the total student enrolment at CIS (including non-fee-paying students) was more than 3,000 both as at 31 August 2020 and as at 31 January 2021.

Please refer to the announcements of the Company dated 22 June 2020, 15 July 2020, 20 August 2020 and 27 August 2020 and the circular of the Company dated 30 September 2020 for further details.

Save as disclosed in this report, the Group had no other material acquisition and disposal of subsidiaries during the year ended 31 August 2021.

### Significant Investment Held

As at 31 August 2021, no significant investment was held by the Group.

### Employee Benefits

As at 31 August 2021, the Group had 1,890 full-time employees. The Group provides external and internal training programs to its employees. The Group participates in various employee benefit plans, including provident fund, housing pension, medical, basic pension and unemployment benefit plans, occupational injury and maternity leave insurance. The Company also has a post-IPO share option scheme, a share award scheme, an employee share purchase plan and a pension plan set up for its employees and other eligible persons. Salaries and other benefits of the Group's employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, results and performance of the Group and relevant market conditions. Total employee remuneration (excluding directors' remuneration) for the year ended 31 August 2021 amounted to RMB417.1 million.

### Pension Plan

To ensure the smooth implementation of the Sixth Five-Year Plan, the Group has devised incentive plans aiming at encouraging employees to provide their services to the Group on a long-term basis, and to share the fruits of the Group's development.

The pension plan is specifically designed for foreign teachers who work in the Group's schools operated in China. Under this proposed pension plan, every month a sum amounting to 3.0% of the eligible employee's monthly salary will be paid by each foreign employee and by the Group respectively, as contribution to the employee's pension. The Group has entrusted a professional trustee to manage the funds under the pension plan. The leaving employees will receive part or all of the funds paid by the Group according to the number of years of service in the Group.



# DIRECTORS AND SENIOR MANAGEMENT

## OUR BOARD OF DIRECTORS

Name	Age	Position/Title	Date of Appointment
Shu Liang Sherman Jen	67	Executive Director, Chairman of the Board, CEO and President of China Operations	June 2007
Jingxia Zhang	64	Executive Director and CFO	March 2008
James William Beeke	71	Executive Director and Superintendent of Global Education (other than the PRC)	April 2014 <sup>(2)</sup>
Peter Humphrey Owen	74	Independent Non-executive Director	June 2014 <sup>(1)</sup>
Alan Shaver	74	Independent Non-executive Director	August 2019
Lap Tat Arthur Wong	61	Independent Non-executive Director	June 2014 <sup>(1)</sup>

Notes:

- (1) Effective from the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 November 2014.
- (2) Mr. James William Beeke worked for the Group from 2005 to 2009 and again from 2014 up to now, he was appointed as Director from 12 March 2008 to 20 January 2010 and reappointed on 25 April 2014.

### Executive Directors

**Shu Liang Sherman Jen ("Mr. Jen")**, aged 67, is our controlling Shareholder (the "Controlling Shareholder") and founder. Mr. Jen was appointed as a Director in June 2007 and was re-designated as an Executive Director and was appointed as chairman of the nomination and corporate governance committee of our Company, both taking effect on 28 November 2014, and is primarily responsible for the overall business and strategy of our Group, including the introduction of the dual diploma school model. His contributions lead us to become one of the leading international school service providers in China. He has been the chairman of the Board, CEO of our Company since 2007, and co-chief executive officer ("Co-CEO") since March 2014. Mr. Jen was re-designated as CEO on 15 August 2016 following the resignation of the other Co-CEO and was appointed as the president of China operations on 1 September 2016.



Mr. Jen is also the president of Dalian Maple Leaf International School, a subsidiary of the Company, since 1995, the chairman of Dalian Maple Leaf Educational Group Co., Ltd., a consolidated affiliated entity, since 2003, and the director of Maple Leaf Educational Systems Limited, a subsidiary of the Company, since 1992, Tech Global Investment Limited, a subsidiary of the Company, since 2007, Maple Leaf Education Asia Pacific Limited (formerly known as Hong Kong Maple Leaf Educational Systems Limited), a subsidiary of the Company, since 2009, Dalian Beipeng Educational Software Development Inc., a subsidiary of the Company, since 2011, Maple Leaf CIS Holdings Pte. Limited, a subsidiary of the Company, since March 2020. Mr. Jen was appointed as the executive director and the chairman of the Board of Directors of Kingsley Edugroup Limited ("Kingsley"), a subsidiary of the Company formerly listed on GEM of the Stock Exchange (former stock code: 8105) on 19 March 2020 and as a director of Kingsley International Sdn. Bhd., an indirect subsidiary of the Company on 30 April 2020. Mr. Jen remained as executive director and chairman of Kingsley after it was delisted on 24 July 2020 until it was dissolved on 31 March 2021. Mr. Jen was also appointed as a director of

## DIRECTORS AND SENIOR MANAGEMENT

Star Readers Pte. Ltd., an indirect subsidiary of the Company and Canadian International School Pte. Ltd., an indirect subsidiary of the Company, both on 26 August 2020. Mr. Jen is a director of Sherman International Investment Limited (“**Sherman Int’l**”) and Sherman Investment Holdings Limited (“**Sherman Investment**”), both of which have an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Mr. Jen has more than 26 years of experience in the education industry. In 2004, he was selected as one of the most influential figures in the private education industry in China by sohu.com.

In 2005, he received the Outstanding Chinese Entrepreneur Award from the Overseas Chinese Affairs Office of the State Council of the PRC. In 2011, he was honored as one of the “Top Ten Figures of our Time” by a group of media organizations and industry associations.

In 2013, he received the Governor General’s Medallion from Mr. David Johnston, Governor General of Canada, for his contributions to international education.

In October 2014, he received the Chinese Government Friendship Award from the PRC Premier Mr. Li Keqiang and two Vice Premiers, which is the highest honor awarded by the Chinese government to foreign experts for their outstanding contributions to the modernized development of the PRC.

In 2019, he was recognised as one of the “Top 10 Most Influential Education leaders in China” by Knowledge Review, a United Kingdom leading education magazine, and was honorably featured on the cover of the August 2019 edition.

Mr. Jen received his Bachelor of Arts degree in English Language and Arts from Beijing Foreign Languages University, the PRC in May 1978, his Master of Business Administration by distance learning from the University of Wales, New Port, the United Kingdom in September 2005 and an Honorary Doctor of Laws degree (Hon. LL.D.) from Royal Roads University in British Columbia, Canada in June 2013. Mr. Jen is a resident of Hong Kong. Mr. Jen is not a resident of Canada for Canadian taxation purposes.



**Jingxia Zhang (“Ms. Zhang”)**, aged 64, is our Executive Director and chief financial officer. She was appointed as a Director in March 2008 and was re-designated as an Executive Director and co-chief financial officer, both taking effect on 28 November 2014. Ms. Zhang was re-designated from co-chief financial officer to chief financial officer of our Company on 16 June 2015. Ms. Zhang joined the Group in April 1995 and is primarily responsible for the overall management and financial operations of the schools in our Group. Ms. Zhang is one of the key members of the management team of the Company and has made important contributions to the Group.

Prior to joining our Group, Ms. Zhang was the director of finance of Jilin Province Dunhua City Pharmaceutical Factory, a Chinese pharmaceutical manufacturer, where Ms. Zhang was responsible for managing its accounts and financial operations. Ms. Zhang has not held any directorship roles in any other listed companies in the last three years.

Ms. Zhang received her Financial Accounting diploma by distance learning from Jilin Accounting School, the PRC in July 1991.

## DIRECTORS AND SENIOR MANAGEMENT



**James William Beeke (“Mr. Beeke”)**, aged 71, is our Executive Director and superintendent of global education (other than the PRC) of the Group. He was appointed as a Director in April 2014 and was re-designated as an Executive Director taking effect on 28 November 2014. Mr. Beeke has been appointed as a member of our remuneration committee with effect from 26 August 2020. Mr. Beeke was also appointed as a director of Canadian International School Pte. Ltd., an indirect subsidiary of the Company, on 26 August 2020. Mr. Beeke previously served as the vice chairman of the Board and the superintendent of the British Columbia Program (“**BC Program**”) of the Group from 2005 to 2009 and again from 2014 to 2016. Mr. Beeke was appointed as the superintendent of global education (other than the PRC) of the Group and ceased to be the superintendent of the BC Program of the Group with effect from 15 August 2016. Mr. Beeke is primarily responsible for overseeing the development of the Group’s educational programs outside of the PRC.

Prior to joining our Group, Mr. Beeke was employed by the British Columbia (“**BC**”) provincial government as deputy inspector, and later, inspector for the Ministry of Education of the BC provincial government from 1996 to 1998 and from 1998 to 2005, respectively. As inspector, he was responsible for the inspection, certification and funding of all independent schools in the province, and developed and directed BC’s Offshore School Certification Program. Since September 2009, he has been president of Signum International Educational Services Inc., a company which provides educational consultant services to schools in Canada and internationally, where he was responsible for assisting schools with board governance and strategic development planning, performing school reviews, conducting principal evaluations and providing analysis and comparisons of provincial curricula. Mr. Beeke has not held any directorship roles in any other listed companies in the last three years.

Mr. Beeke received his Bachelor of Arts degree and Master of Arts degree from Western Michigan University in Michigan, United States, in December 1971 and August 1973, respectively. He received the Certificate of Qualification from the British Columbia Teachers in June 1991, Certificate of Recognition from the British Columbia Minister of Education in 1991, Certificates of Recognition from the Chinese Consulate (Vancouver, Canada) and from British Columbia Ministry of Education in June 2005 and Certificate of Honorary Award from Liaoning Provincial Government of the PRC in 2006.

## DIRECTORS AND SENIOR MANAGEMENT

### Independent Non-executive Directors



**Peter Humphrey Owen (“Mr. Owen”)**, aged 74, was appointed as an Independent Non-executive Director in June 2014, and was appointed as a chairman of our remuneration committee and a member of our audit committee and nomination and corporate governance committee, all taking effect on 28 November 2014. Mr. Owen is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining the Group, Mr. Owen served as the vice chair of the Workers Compensation Review Board of BC in 1986. He subsequently held various positions at the Ministry of Education of the BC provincial government until May 2011, including the positions of director, executive director, and assistant deputy minister, responsible for education related legislation, governance, international education, policy and planning, and a variety of program areas. Mr. Owen has not held any directorship roles in any other listed companies in the last three years.

Mr. Owen received a Bachelor of Arts degree from Simon Fraser University, Canada in May 1976 and a Bachelor of Laws degree (LLB) from the University of British Columbia, Canada in May 1979.



**Alan Shaver (“Mr. Shaver”)**, aged 74, was appointed as an Independent Non-executive Director and a member of audit committee, remuneration committee and nomination and corporate governance committee, all taking effect from 31 August 2019. Mr. Shaver is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Shaver was appointed as a member of the Academic Advisory Board of Studiosity, an on-demand study help service provider, on 1 January 2021. He ceased to act as a member and the chairman of the board of directors of Innovate BC, a BC provincial Crown Agency whose mission is to promote the growth of BC’s high tech economy, with effect from 16 March 2021. Prior to that, Mr. Shaver served as the president and vice chancellor of Thompson Rivers University from 2010 to 2018, and served as the vice president academic and provost of Dalhousie University from 2006 to 2010. From 1975 to 2006, Mr. Shaver held various positions in McGill University, including assistant professor, associate professor, professor, chair of the Department of Chemistry, and dean of the Faculty of Science. He also worked at the University of Western Ontario from 1972 to 1975, where he served as a National Research Council Postdoctoral Fellow and Department of Chemistry teaching fellow. Mr. Shaver has not held any directorship roles in any other listed companies in the last three years.

Mr. Shaver completed his Bachelor of Science degree in Carleton University majoring in chemistry in 1969, and obtained his doctorate degree in Organometallic Chemistry at Massachusetts Institute of Technology in 1972.





## DIRECTORS AND SENIOR MANAGEMENT



**Lap Tat Arthur Wong (“Mr. Wong”)**, aged 61, was appointed as an Independent Non-executive Director in June 2014, and was appointed as the chairman of the audit committee on 28 November 2014.

Mr. Wong is primarily responsible for supervising and providing independent judgment to our Board.

From 1982 to 2008, Mr. Wong held various positions in Deloitte Touche Tohmatsu in Hong Kong, San Jose and Beijing, with the latest position as a partner in the Beijing office. He subsequently served as the CFO in the following companies: Asia New-Energy Holdings Pte. Ltd., a manufacturer of fertilizer, chemicals and new energy products, from 2008 to 2009; Nobao Renewable Energy Holding Ltd., a renewable energy company, from March 2010 to November 2010; GreenTree Inns Hotel Management Group, Inc., an economy hotel chain from 2011 to 2012; and Beijing Radio Cultural Transmission Company Limited, a music production and music data management service company, from January 2013 to November 2018.

Mr. Wong previously served as an independent non-executive director and the chairperson of the audit committee of China Automotive Systems, Inc., an automotive systems and components manufacturer listed on NASDAQ (stock code: CAAS) from May 2012 to July 2019. He currently serves as an independent non-executive director and the chairperson of the audit committee of the following listed companies: Daqo New Energy Corp., a polysilicon manufacturer listed on NYSE (stock code: DQ) since 24 December 2012, Canadian Solar Inc, a global solar energy provider listed on NASDAQ (stock code: CSIQ) since 1 March 2019, Tarena International, Inc., a provider of adult professional education and childhood & adolescent quality education services listed on NASDAQ (stock code: TEDU) since 1 March 2020 and Microvast Holdings, Inc., a lithium-ion battery manufacturer listed on NASDAQ (stock code: MVST) since 23 July 2021.

Mr. Wong received a Higher Diploma in Accountancy from The Hong Kong Polytechnic University in November 1982 and a Bachelor of Science degree in Applied Economics from University of San Francisco in December 1988. He became an associate and subsequently a fellow of the Hong Kong Institute of Certified Public Accountants in 1985 and 1995, respectively. He became a fellow of the Association of Chartered Certified Accountants in 1990 and a member of the American Institute of Certified Public Accountants in 1992.

## DIRECTORS AND SENIOR MANAGEMENT

### OUR SENIOR MANAGEMENT

Name	Age	Position
Shu Liang Sherman Jen	67	CEO and President of China Operations
Jingxia Zhang	64	CFO
James William Beeke	71	Superintendent of Global Education (other than the PRC)
Jacalyn Elizabeth Kersey	53	Superintendent (the PRC)
Xiaofeng Cao	48	COO
Hongge Ren	37	Vice Superintendent

The biography of each member of the senior management team (other than our Executive Directors) is set out below:



**Mrs. Jacalyn Elizabeth Kersey (“Mrs. Kersey”)**, aged 53, was appointed as superintendent of the BC program in China and Maple Leaf World School Program on 15 August 2021. She joined the Group on 15 August 2017 as the assistant superintendent of the Group’s BC program in China. Mrs. Kersey is currently overseeing the transition from the BC program to the World School Program, accredited by Cognia, the world’s largest school accreditation organization. She is primarily responsible for curriculum development and the administration of the Group’s BC program and World School Program, including hiring administrative staff and overseeing the educational program for the Group’s schools in the PRC.

Mrs. Kersey has 24 years of experience in public education in Canada, with 13 years in administrative roles in schools. She planned and implemented new curriculum and served as a member of the BC Principals and Vice Principals Association as an organiser and facilitator of professional development opportunities for leaders. She regularly gives presentation at national and international conferences on the topics of positive inquiry and system leadership.

Mrs. Kersey earned a Bachelor’s degree in General Studies from Simon Fraser University in 1994, and a Master of Education degree in Administration and Leadership from the University of Alberta in 2001. She is currently a doctoral student at the University of Calgary.



**Xiaofeng Cao (“Mr. Cao”)**, aged 48, was appointed as chief operating officer (“COO”) of the Group on 22 July 2020. Mr. Cao has over 20 years of experience in market development and chain operation management and over 10 years of experience in head office management in the education industry, thereby having acquired familiarity with the relevant national policies and industry rules. Mr. Cao joined the Group in March 2015 to serve as the vice president until August 2020, and was successively in charge of general affairs, preschool centre and marketing management related work. During the time he worked in the Group, Mr. Cao has fully demonstrated his ability to formulate and execute strategies and he is good at target decomposition and process tracking. Also, Mr. Cao has good organisation and coordination skills and teamwork spirit.

Prior to joining the Group, Mr. Cao served as the regional general manager of Decoration Center of B&Q (China) Investment Co., Ltd., as well as the vice president of Etonkids Educational Group. Mr. Cao received a Bachelor’s degree in Textile Engineering from Wuhan Textile Engineering Institute in 1995, and has completed a Doctor’s degree course in Educational Management at Beijing Normal University in 2014.

## DIRECTORS AND SENIOR MANAGEMENT



**Hongge Ren (“Mr. Ren”)**, aged 37, was appointed as the Group’s vice superintendent in August 2020. He is primarily responsible for assisting the superintendent in teaching, researching and promotion of World School Program at home and abroad. Mr. Ren has been a vice president of the Group from January 2018 to August 2020. His major projects include research of the Maple Leaf Global Curriculum, promotion of the Belt and Road education program and scholarship programs of the Group. He has also served as principal of Maple Leaf Education Systems Research Institute and vice chairman of the Global Alumni Association of Maple Leaf International Schools since August 2015.

Mr. Ren graduated with a Bachelor’s degree in Commerce, majoring in entrepreneurship, from the University of Victoria, Canada in 2008 and a Master’s degree in education, majoring in technology, innovation and education, from Harvard University in 2013. He received the British Columbia Independent School Teaching Certificate in 2016.

### COMPANY SECRETARY



**Ms. Jen Shu Ling (“Ms. Jen”)**, has been appointed as the company secretary and authorised representative of the Company for the purpose of Rule 3.05 of the Listing Rules since 28 April 2021. Ms. Jen joined the Group in February 2010, and is currently the financial manager of the Company in Hong Kong office and assistant to CFO in head office. Ms. Jen is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly known as “The Hong Kong Institute of Chartered Secretaries”) and The Chartered Governance Institute (formerly known as “The Institute of Chartered Secretaries and Administrators”) in the United Kingdom.

Ms. Jen holds a degree of Master of Corporate Governance and a degree of Bachelor of Science with Honours in Accounting.

# REPORT OF THE DIRECTORS

The Board of China Maple Leaf Educational Systems Limited present their report together with the audited consolidated financial statements of the Group for the year ended 31 August 2021.

## GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 June 2007 as an exempted company with limited liability. The principal place of business of the Company in Hong Kong is located at Room 1302, 13/F., Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong.

The Company's shares ("**Shares**") were listed (the "**Listing**") on the Main Board of the Stock Exchange on 28 November 2014 ("**Listing Date**").

## PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Group is a leading international school operator in the PRC under the "Maple Leaf" brand and in the Southeast Asia under the brand of CIS and KIS. We officially launched Maple Leaf World School Program at the commencement of the 2020/2021 school year for high schools in China, which is China's first internationally accredited curriculum with self-developed intellectual property. A list of the Company's subsidiaries, together with their date and places of incorporation, operation and principal activities, etc., is set out in note 47 to the financial statements.

## RESERVES AND DISTRIBUTABLE RESERVES

As at 31 August 2021, the reserves available for distribution to the shareholders of the Company were approximately RMB155.4 million. Details of the movements in the reserves of the Group for the year ended 31 August 2021 are set out in the consolidated statement of changes in equity on page 84 of this report.

## BUSINESS REVIEW

A fair review of the business of the Group during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the sections headed "Letter from the Chairman" and "Management Discussion and Analysis" of this report. These discussions form part of this report.

### Principal Risks and Uncertainties

Save as disclosed in the section headed "Risks relating to the Contractual Arrangements" under "Contractual Arrangements" in this report, the following list is a summary of certain principal risks and uncertainties facing the Group.

- Our operations and business prospects;
- Our business and operating strategies and our ability to implement such strategies;
- Our ability to develop and manage our operation and business;
- Our business depends on the market recognition of our Maple Leaf brand, CIS brand and KIS brand;
- Our ability to maintain or increase student enrolment in our schools;
- Our ability to maintain or increase tuition fees;
- Our ability to control our operating costs;

## REPORT OF THE DIRECTORS

- Competition in the education industry where we serve;
- Our business depends on our ability to recruit and retain dedicated and capable teachers and other school personnel;
- Ability to obtain or renew the necessary licenses or government approvals for our business and operations;
- Changes to regulatory and operating conditions in the education industry where we serve, in particular, the regulatory changes under the new law and new policies; and
- the COVID-19 pandemic.

Some of the above risks and uncertainties are beyond the Group's control and should any of these occur, the Group's business, financial position and results of operation may be materially adversely affected.

In addition, the Group also faces various market risks. In particular, the Group is exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of the Group's business. In order to meet these challenges, the Group has established the following structures and measures to manage the Group's risks:

- the Board is responsible for and has general powers over the management and operation of our schools, and is in charge of the overall risk control of the Group. Any significant business decision involving material risks, such as decisions to expand into new geographic regions or to raise tuition fees, is reviewed, analysed and approved at the board level to ensure a thorough examination of the associated risks at the Group's highest corporate governance body;
- the Group maintains insurance coverage which we believe is in line with the customary practice in the PRC education industry. The Group also adopts health and safety measures on our campuses to safeguard our students' wellbeing; and
- the Group has made arrangements with banks to ensure that the Group is able to obtain credits to support its business operation and expansion.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares. As recommended under "Review of Disclosure in Issuer's Annual Reports to Monitor Rule Compliance Report" and "Review of Issuers' Annual Report Disclosure" issued by the Stock Exchange from time to time, the Company discussed specifically how the major risk areas would affect the business operations, the potential financial impact, and whether they had undertaken any measure to manage risk areas.

### Environmental Policies and Performance

The Group realises the importance of environmental protection in pursuing long-term sustainability. We have developed various internal energy conservation and emission reduction systems to promote energy saving and emission control in our headquarters and schools including managing the emissions generated from and resources used by the canteens. The Group is committed to improving environmental sustainability and will closely monitor its performance. We always strictly comply with the applicable laws and regulations at where we operate schools, such as the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法). These policies are supported by our staff and were implemented effectively. During the financial year ended 31 August 2021, we have not been subject to any fines or other penalties due to non-compliance with any health, safety or environmental regulations. For details, please refer to our Environmental, Social and Governance ("ESG") Report to be published separately.

## REPORT OF THE DIRECTORS

### Compliance with Relevant Laws and Regulations

During the year ended 31 August 2021, the Group was not aware of material non-compliance with relevant laws and regulations that have a significant impact on the business and operations of the Group.

### Relationships with employees, customers and suppliers

#### (a) Employees

The Group believes that employees are valuable assets. The Group provides a competitive remuneration package to attract and motivate employees. Please refer to the section headed “Management Discussion and Analysis – Employees Benefits” for further details. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group is also passionately committed to developing staff and provides employees with rewarding career paths and a friendly working environment.

#### (b) Customers

The Group strives to achieve corporate sustainability in providing quality services to our customers. To ensure continuous improvement of the quality of services, the Group regularly reviews its curriculum and teaching materials in order to ensure that the quality of education delivered by the Group meets the standard set by various educational institutions around the world. The Group believes that maintaining a high admission rate to top-ranked universities can help strengthen its market competitiveness in the industry. For the year ended 31 August 2021, among 1,778 students graduated from our Group’s high school, 139 of whom received offer letters from the QS top 10 universities in the world, and 1,514 graduates, approximately 85.2% of them received at least one offer letter from the MLES Global Top 100 universities.

#### (c) Suppliers

The Group understands the importance of working closely with our suppliers to ensure the sustainability of our business. The Group has established long standing relationships with our suppliers to ensure they share our commitment to quality and ethics.

Save for the disclosure in this report, there were no material and significant disputes between the Group and its employees, customers and/or suppliers during the financial year ended 31 August 2021.

## FINANCIAL RESULTS

The results of the Group for the year ended 31 August 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 80 of this report.



## REPORT OF THE DIRECTORS

### AUDITOR'S DISCLAIMER OF OPINION FOR THE YEAR ENDED 31 AUGUST 2021

#### Details of the auditor's disclaimer of opinion

The Group incurred net losses from continuing operations and discontinued operations of approximately RMB671.9 million and RMB2.5 billion respectively during the year ended 31 August 2021 and, as at 31 August 2021, the Group had net current liabilities of approximately RMB600.8 million. The Group's total secured bank borrowings amounted to approximately RMB2.6 billion as at 31 August 2021, out of which RMB2.5 billion will be due for repayment within 12 months from 31 August 2021; while its cash and cash equivalents amounted to approximately RMB739.5 million as at 31 August 2021. These conditions, together with other matters described in note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have undertaken a number of plans and measures to improve the Group's liquidity and financial position. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including (i) whether the Group is able to obtain a new bank loan as soon as practicable to replace the existing loan with loan covenants that have been breached; (ii) whether the breached loan covenants can be waived in the current facility agreement; (iii) the future development and interpretation of the Implementation Regulations; and (iv) the Covid-19 situation. Please refer to Note 31 to the consolidated financial statements for further details of the breached loan covenants.

The management of the Group ("**Management**") believes that the Group should be able to operate as a going concern on the assumption that a new bank loan of approximately SGD300.0 million (equivalent to approximately RMB1.4 billion) can be obtained as soon as practicable to replace the existing loan with a principal amount of approximately SGD204.6 million (equivalent to RMB984.4 million) as loan covenants have been breached and other plans and measures can be successfully implemented. Given the execution of the plans and measures by the Group involving multiple uncertainties, and the possible cumulative effect thereof, Deloitte Touche Tohmatsu ("**Auditor**"), the auditor of the Company, disclaimed its opinion in respect of the consolidated financial statements for the year ended 31 August 2021 ("**Audit Qualification**"). Please refer to the section headed "Independent Auditor's Report – Basis for disclaimer of opinion" and note 2 to the consolidated financial statements for further details of the Audit Qualification.

#### The Management's position and basis on major judgmental areas

In view of such circumstances, the Management had assessed the Group's current liquidity, performance and available sources of financing in considering the Group's ability to continue as a going concern. The Management has also taken or will continue to implement the measures to mitigate the Group's liquidity pressure and improve the conditions of cash flow, and on the assumption of successful and continued implementation of such measures, and taking into account the Group's cash flow forecasts which covers a period of not less than 12 months from the date of approval of the consolidated financial statements for the year ended 31 August 2021. The Management and the Directors are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis. The Management and the Directors are of the view that the Group will, taken into account the measures implemented or to be implemented, have sufficient cash resources to satisfy future working capital and other financing requirements as and when they fall due in the next 12 months from the date of approval of the consolidated financial statements for the year ended 31 August 2021.

## REPORT OF THE DIRECTORS

### Action Plans of the Group

The Group has been working closely with the banks to obtain a new loan of approximately SGD300.0 million (equivalent to approximately RMB1.4 billion) to replace the existing loan. As the measure involves ongoing negotiations with various banks, it is difficult to define a definite timetable on the completion of this measure. However, the Company will strive to enter the facility agreement of the new loan as soon as practicable following the publication of the 2021 annual results of the Group. In addition, the Company considered to discuss with banks to waive the breached loan covenant in the current loan facilities agreement. On the other hand, in view of the deconsolidation of the Affected Schools for the year ended 31 August 2021 as a result of the promulgation of the Implementation Regulations, the Management has been proactively in the process of making registration and filings with the relevant local government departments in Hainan, Henan and other provinces in the PRC for individual operating licences for the eight Mixed High Schools. Upon completion of the restructuring, it is expected that the operations of these high schools which will obtain individual and for-profit operating licences will be consolidated into the consolidated financial statements of the Company. Furthermore, the Company has planned to adjust the strategy to focus on development of high schools and overseas schools which are not affected by the Implementation Regulations. The Directors consider that the Group can continue as a going concern based on the assumptions that (1) the above financing plans can be successfully completed; (2) no further rules and interpretation from the government which will adversely affect the continuing operations; and (3) the Covid-19 situation in the PRC and Southern Asia will be continuously improved.

### Impact of the Audit Qualification on the Company's financial position

Should the Group fail to achieve the abovementioned action plans and measures, it might not be able to continue to operate as a going concern, adjustments may have to be made to (i) write down the carrying value of the Group's assets to their recoverable amounts; (ii) provide for further liabilities that may arise; and (iii) reclassify all non-current assets and non-current liabilities as current assets and current liabilities, where applicable. The effects of these potential adjustments have not been reflected in the consolidated financial statements of the Group for the year ended 31 August 2021.

### Audit committee's view on the Audit Qualification

The audit committee of the Board ("**Audit Committee**") has reviewed the Audit Qualification and also the Management's position and action plans of the Group to address the Audit Qualification. The Audit Committee is in agreement with the Management with respect to the Audit Qualification and the Group's ability to continue as a going concern, and in particular the action plans that have been in process and/or to be implemented by the Management or the Group. The Audit Committee's views are based on (i) a review of (a) the Management's action plans to address the Audit Qualification (and the assumption of successful and continued implementation), and (b) the Group's cash flow forecast which covers a period of not less than 12 months from the date of approval of the consolidated financial statements for the year ended 31 August 2021, and also (ii) discussions between the Audit Committee, the Auditor and the Management regarding the Audit Qualification. The Audit Committee is also of the view that the Management could continue its efforts in implementing the actions and measures set out in the action plan with the intention of removing the Audit Qualification in the next financial year.

### Next Financial Statements

Based on the Group's discussion with the Auditor, as the Audit Qualification relates to the Group's ability to continue as a going concern, in preparing the financial statements for the year ending 31 August 2022, the Directors will be responsible for assessing the Group's ability to continue as a going concern and the appropriateness of preparing the Group's consolidated financial statements on a going concern basis with reference to the conditions and circumstances as at 31 August 2022. The Auditor will obtain sufficient appropriate audit evidence to assess the appropriateness of the Director's application of going concern basis in the preparing the Group's consolidated financial statements, and based on the audit evidence obtained, to determine whether multiple uncertainties exist in relation to the Group's going concern assessment.

The Directors' assessment of the Group's ability to carry on as a going concern as at 31 August 2022 will take into consideration the relevant conditions and circumstances, and also a then cash flow forecast of the Group for a period covering not less than twelve months from the date of approval of the consolidated financial statement for the year ending 31 August 2022.





## REPORT OF THE DIRECTORS

Because of the foregoing, as at the date of this report, the Auditor is unable to confirm whether the Audit Qualification will be removed for the annual results for the year ending 31 August 2022. However, assuming all the measures are successfully implemented as planned, sufficient and appropriate audit evidence is obtained by the Auditor and the Directors are satisfied that the Group can continue business as a going concern, barring any unforeseen circumstances, it is likely that the annual results for the year ending 31 August 2022 will be free of the Audit Qualification.

### DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 August 2021.

#### Dividend Policy

On 9 November 2018, the Board adopted a dividend policy which sets out the principles and guidelines of the Group. The Company intends to distribute no less than 40% of its annual adjusted net profits as dividends to its shareholders. The declaration and payment of dividends shall be determined at the sole and absolute discretion of the Board which shall take into account the Company's financial results, cash flow position, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of the shareholders, any restrictions on dividend payment and any other factors considered relevant by the Board. A dividend may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits deemed appropriate by the Board.

### FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the most recent five years is set out in the section headed "Five-Year Financial Summary" on pages 7 to 10 of this report.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 16 to the financial statements.

### INVESTMENT PROPERTIES

Details of investment properties as at 31 August 2021 are set out in note 19 to the financial statements. The fair value of the investment properties at 31 August 2021 was RMB400.0 million. The book value of the investment properties held by the Group as at 31 August 2021 as included in the financial statements in this report was RMB328.9 million.

As at 31 August 2021, the properties held for investment in Singapore, the PRC and Canada for which the percentage ratios, as defined under Rule 14.04(9) of the Listing Rules, exceed 5% are set out below.

## REPORT OF THE DIRECTORS

## PARTICULARS OF INVESTMENT PROPERTIES

Location	Existing Use	Tenure
11 Hillside Drive, Singapore 548926 (Land Lot No. 99180L Mukim 22)	School campus	Leasehold estate for 103 years commenced from 16 November 2012
No. 78 Caiyun Road, Xigang District, Dalian, China 116011 (Land Lot no. 2-11-2-10-1)	Offices	Leasehold estate for 30 years commenced from December 2003
1120 County Road, 2 East Brockville, Ontario, Canada (Part Lot 34, Con 1 Township of Augusta, County of Grenville Part 1, 15R11106)	Educational facilities	Freehold

## BANK LOANS AND OTHER BORROWINGS

As at 31 August 2021, the Group maintained variable interest rate bank loans secured by bank deposits and investment properties to finance the acquisition of investment properties and overseas schools.

## SPECIFIC PERFORMANCE OBLIGATION ON CONTROLLING SHAREHOLDER

On 16 August 2020, the Company (as a guarantor), Maple Leaf CIS Holdings Pte. Limited (as a borrower) and a subsidiary of the Company (as a guarantor) have entered into a facility agreement (the "**Term Loan Facility Agreement**") with certain lenders pursuant to which the lenders agreed to make available a term loan facility in an aggregate amount up to SGD225,000,000 with a final maturity date being the date which is three years after the utilisation date of the term loan (the "**Term Loan Facility**"). On the same day, the Company (as a borrower), Maple Leaf CIS Holdings Pte. Limited (as a guarantor) and certain subsidiaries of the Company (each as a guarantor) have also entered into a facility agreement (the "**Bridge Loan Facility Agreement**", together with the Term Loan Facility Agreement, the "**Facility Agreements**") with certain lenders pursuant to which the lenders agreed to make available a bridge loan facility in an aggregate amount up to SGD158,000,000 with a final maturity date being the date which is 350 days after the utilisation date of the bridge loan facility ("**Bridge Loan Utilisation Date**") assuming the extension option is being exercised pursuant to the Bridge Loan Facility Agreement (or six months after the Bridge Loan Utilisation Date if the extension option is not exercised) (the "**Bridge Loan Facility**", together with the Term Loan Facility, the "**Facilities**"). On 26 August 2020, a deed of novation was entered into between, among others, Maple Leaf CIS Holdings Pte. Limited as original borrower, Canadian International School Pte Ltd as new borrower, the Company as guarantor and certain lenders pursuant to which the Term Loan Facility was novated from Maple Leaf CIS Holdings Pte. Limited as original borrower to Canadian International School Pte Ltd as new borrower.

Pursuant to the Facility Agreements, the Facilities must be prepaid (among other matters) if:

- i. Mr. Shu Liang Sherman Jen ("**Mr. Jen**"), chairman and Executive Director of the Company, does not or ceases to own beneficially at least 45% of each class of the issued share capital of the Company excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital (or at least 40% after a permitted issue of shares pursuant to the Facility Agreements);
- ii. Mr. Jen does not or ceases to have the power to:
  - a. cast or control of the casting of at least 45% of the maximum number of vote that might be cast at a general meeting of the Company (or at least 40% after a permitted issue of shares pursuant to the respective Facility Agreement);
  - b. appoint or remove all or majority of the Directors or other equivalent officers of the Company; or
  - c. give directions with respect to the operating and financial policies of the Company;

## REPORT OF THE DIRECTORS

- iii. Mr. Jen is not or ceases to be the single largest owner of each class of the issued share capital of the Company; and
- iv. Mr. Jen is not or ceases to be the chairman of the Board of the Company,

and in such event the Facilities will be terminated and all outstanding loans under the Facilities may immediately become payable on demand.

In light of the dilution impact of the Convertible Bonds which were issued in January 2021, the lenders of the Facility Agreements have granted a waiver to reduce the threshold of Mr. Jen's ownership requirement under the Facility Agreements from 45% to 40% such that no change of control will occur if Mr. Jen does not or cease directly or indirectly to have the power to cast or control the casting of at least 40% of the maximum number of votes that might be cast at a general meeting of the Company.

Please refer to section headed "Management Discussion and Analysis – Other Information – Issuance of US\$125.0 million 2.25% Convertible Bonds due 2026" and the announcements of the Company dated 13 January 2021, 27 January 2021 and 28 January 2021 and the offering circular of the Company dated 22 January 2021 for further details of the issuance of the Convertible Bonds.

As at 31 August 2021, the Bridge Loan was fully settled.

### DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

As a result of the Implementation Regulations, the Directors reassessed the contractual arrangements relating to certain affiliated entities, which were used to be consolidated for the previous financial years, and concluded that the Group ceased its control over the Affected Schools by 31 August 2021 and thus the Affected Schools were deconsolidated from the consolidated financial statements of the Group as of 31 August 2021. The deconsolidation has resulted in the financial results of the Affected Schools having been classified as discontinued operations on 31 August 2021 and the Group recorded one-off losses upon deconsolidation of the Affected Schools.

The net assets held by the Affected Schools were approximately RMB2.9 billion upon deconsolidation as at 31 August 2021 and an aggregate one-off losses upon deconsolidation of the Affected Schools were recognised during the year and included in the losses from discontinued operations. Such loss, together with other impairment loss recognised by the Group as a result of the deconsolidation, has substantially reduced the earnings of the Group and thus resulted in a breach of certain financial covenants under the Term Loan Facility Agreement. For further details, please refer to Note 31 to the consolidated financial statements.

Notwithstanding the breach of certain financial covenants under the Term Loan Facility Agreement, as at the date of this report, the Group has not been demanded for immediate repayment of any part of the loan prior to its stated maturity pursuant to the terms and conditions of the Term Loan Facility Agreement and none of the available commitments under the Term Loan Facility Agreement was cancelled by the lenders.

### SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 34 to the financial statements.

## REPORT OF THE DIRECTORS

### PERMITTED INDEMNITY

In accordance with article 33.1 of the Company's articles of association ("**Articles of Association**"), every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted. Such permitted indemnity provision for the benefit of the Directors was in force during the year and has remained in force as of the date of this report.

### DIRECTORS

The Directors during the year ended 31 August 2021 and up to the date of this report were as follows:

#### Executive Directors:

Mr. Shu Liang Sherman Jen  
Ms. Jingxia Zhang  
Mr. James William Beeke

#### Independent Non-executive Directors:

Mr. Peter Humphrey Owen  
Mr. Alan Shaver  
Mr. Lap Tat Arthur Wong

In accordance with article 16.18 of the Company's Articles of Association, Mr. Alan Shaver and Mr. Lap Tat Arthur Wong will retire by rotation at the forthcoming annual general meeting (the "**AGM**") and, being eligible, have offered themselves for re-election.

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all Independent Non-executive Directors are independent.

### DIRECTORS' SERVICE CONTRACTS

Each of our Executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as Executive Directors until the year ended 31 August 2022. Either the Company or the Director has the right to give the other party not less than three months prior written notice to terminate the agreement.

Each of our Independent Non-executive Directors has signed a letter of appointment with our Company. The term of office of our Independent Non-executive Directors will end on 31 August 2022, except that, the letter of appointment of Mr. Alan Shaver with the Company will end on 30 August 2022. Either the Company or the Director has the right to give the other party not less than three months prior written notice to terminate the agreement.

None of the Directors proposed for re-election at the forthcoming AGM has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).



## REPORT OF THE DIRECTORS

### DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and those of the five highest paid individuals of the Group for the year ended 31 August 2021 are set out in note 13 to the financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments.

Directors' remuneration is determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office. The Directors anticipate that they will periodically review the compensation levels of key executives of the Group. Based on the Group's performance and the executives' respective contributions to the Group, the Directors may, with the approval of the Company's remuneration committee, grant salary increases or pay bonuses to executives. All Directors receive reimbursements from the Company for expenses which are necessarily and reasonably incurred for providing services to the Company or executing matters in relation to the operations of the Company.

### DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESSES

Save as disclosed in note 44 to the financial statements headed "Related Party Transactions and Balances" and the section headed "Contractual Arrangements" of this report below, neither Director nor any entity connected with any of our Directors had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party as at 31 August 2021 or at any time during the year ended 31 August 2021.

During the year ended 31 August 2021, neither our Controlling Shareholders (as defined in the Listing Rules) nor any of our Directors were interested in the business of operating international schools or educational institutions, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

### CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the year ended 31 August 2021.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Incentive Schemes" of this report, at no time during the year ended 31 August 2021 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or their respective spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Other information – Issuance of US\$125.0 million 2.25% Convertible Bonds due 2026" in "Management Discussion and Analysis" of this report and "Share Incentive Schemes" of this report, there was no equity-linked agreement entered into by the Company during the year ended 31 August 2021 or subsisting at the end of this financial year. The disclosure in the aforementioned section in the "Management Discussion and Analysis" forms part of this report.

## REPORT OF THE DIRECTORS

### CONTRACTUAL ARRANGEMENTS

Due to restrictions in the PRC laws and regulations on foreign investment in schools that offer compulsory education and not-for-profit preschools in China, we have entered into a number of continuing agreements and arrangements (“**Contractual Arrangements**” or “**VIE Agreements**”) with certain consolidated affiliated entities in the PRC solely for the purpose of operating the Group’s relevant business in China. Some of these agreements and arrangements have been entered into with our connected persons in our ordinary and usual course of business, which constitute continuing connected transactions under the Listing Rules. We set out below details of the Contractual Arrangements.

#### Reasons for the Contractual Arrangements

The PRC laws and regulations currently prohibit foreign participation in private schools that provide compulsory education and not-for-profit preschools by means of mergers and acquisitions, contractual agreements and related parties transactions. Furthermore, although the PRC laws and regulations allow foreign investment in foreign nationals schools and high schools, government authorities either impose restrictions in this respect or, as a matter of policy, withhold approval for such ventures altogether (as discussed further below in the section headed “Updates in Relation to the Qualification Requirement”). The Contractual Arrangements among us, Dalian Beipeng Educational Software Development Inc. (“**Beipeng Software**”), Shenzhen Beipeng Educational Software Development Inc. (“**Shenzhen Beipeng Software**”), our consolidated affiliated entities and shareholders of our consolidated affiliated entities are therefore necessary to achieve our business objectives, although they have been as narrowly tailored as possible so as to minimize potential conflict with current PRC laws and regulations.

Particulars of the consolidated affiliated entities and their registered shareholders are as follows:

- (1) Dalian Maple Leaf Education Group Co., Ltd (“**Dalian Educational Group**”) is a limited liability company established in the PRC on 23 May 2003, the registered shareholders of which is Ms. Shu’E Ren (the “**Founder’s sister**”), a sister of Mr. Shu Liang Sherman Jen (“**Founder**”). Dalian Educational Group is principally engaged in investment in private preschool to grade 12 (“**K-12**”) education in the PRC.
- (2) Shenzhen Maple Leaf Education Group Co., Ltd (“**Shenzhen Educational Group**”) is a limited liability company established in the PRC on 1 June 2021, the registered shareholders of which are Ms. Lihua Liu and Ms. Tingting Sun, both are independent third parties. Shenzhen Educational Group is principally engaged in investment in private K-12 education in the PRC.
- (3) Dalian Maple Leaf Science and Education Co., Ltd. (“**Dalian Science and Education**”) is a limited liability company established in the PRC on 9 January 2003, the registered shareholders of which are Ms. Shu’E Ren and Dalian Educational Group. Dalian Science and Education is principally engaged in investment in private K-12 education in the PRC.

Our Directors (including the Independent Non-executive Directors) consider that the Contractual Arrangements have been entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.



## REPORT OF THE DIRECTORS

### Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 26 to 32 of the Company's prospectus dated 18 November 2014 ("**Prospectus**").

1. If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, we could be subject to severe penalties and our business may be materially and adversely affected.
2. Our Contractual Arrangements may not be as effective in providing control over our consolidated affiliated entities as equity ownership.
3. Any failure by our consolidated affiliated entities or their respective ultimate shareholders to perform their obligations under our Contractual Arrangements would potentially lead to us having to incur additional costs and expend substantial resources to enforce such arrangements, temporary or permanent loss of control over our primary operations or loss of access to our primary sources of revenue.
4. The ultimate owners of our consolidated affiliated entities may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.
5. Certain terms of our Contractual Arrangements may not be enforceable under PRC laws.
6. The Contractual Arrangements between Beipeng Software and our consolidated affiliated entities and Dalian Maple Leaf International School (High School) ("**Dalian Maple Leaf High School**") may subject our Group to increased income tax due to the different income tax rates applicable to Beipeng Software and our consolidated affiliated entities and Dalian Maple Leaf High School, which may adversely affect our results of operations.
7. Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our net income and the value of our investment.
8. We rely on dividends and other payments from Beipeng Software and Shenzhen Beipeng Software to pay dividends and other cash distributions to our shareholders.
9. Our consolidated affiliated entities and Dalian Maple Leaf High School may be subject to significant limitations on their ability to operate private education or make payments to related parties or otherwise be materially and adversely affected by changes in the PRC laws and regulations.
10. The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of our schools, could result in a decrease of our net income and materially and adversely affect our results of operations.
11. If any of our PRC subsidiaries or consolidated affiliated entities becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy certain important assets, which could reduce the size of our operations and materially and adversely affect our business, ability to generate revenue and the market price of our Shares.
12. Our exercise of the option to acquire the equity interests of our consolidated affiliated entities may be subject to certain limitations and the ownership transfer may subject us to substantial costs.

## REPORT OF THE DIRECTORS

### Contractual Arrangements in Place

The Contractual Arrangements that were in place as at 31 August 2021 are as follows:

- (i) an exclusive management consultancy and business cooperation agreement dated 11 May 2014 and entered into by and among Beipeng Software, Dalian Educational Group and its subsidiary entities, including but not limited to companies, schools and other entities which it directly or indirectly holds more than 50% interests of, and Founder's Sister, pursuant to which Dalian Educational Group and the Founder's Sister agreed to engage Beipeng Software as the exclusive service provider to provide Dalian Educational Group and its subsidiary entities with comprehensive business management consultancy and educational consultancy services, intellectual property licenses, technical support and business support services, and in return, Beipeng Software will charge for the services;
- (ii) an exclusive management consultancy and business cooperation agreement dated 11 May 2014 and entered into by and between Beipeng Software and Dalian Maple Leaf High School, pursuant to which Dalian Maple Leaf High School agreed to engage Beipeng Software as the exclusive service provider to provide Dalian Maple Leaf High School with comprehensive educational consultancy services, intellectual property licenses and technical support and business support services, and in return, Beipeng Software will charge for the services;
- (iii) an exclusive management consultancy and business cooperation agreement dated 22 August 2014 and entered into by and among Beipeng Software, Dalian Maple Leaf Foreign Nationals School ("**Dalian Foreign School**"), Wuhan Maple Leaf Foreign Nationals School ("**Wuhan Foreign School**") and the Founder, pursuant to which Dalian Foreign School, Wuhan Foreign School and the Founder agreed to engage Beipeng Software as the exclusive service provider to provide Wuhan Foreign School and Dalian Foreign School with comprehensive educational consultancy services, intellectual property licenses and technical support and business support services, and in return, Beipeng Software will charge for the services;
- (iv) an exclusive call option agreement dated 11 May 2014 and entered into by and among our Company, Dalian Educational Group and the Founder's Sister, pursuant to which the Founder's Sister granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from the Founder's Sister part or all of her equity interests in Dalian Educational Group for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;
- (v) an exclusive call option agreement dated 11 May 2014 and entered into by and among our Company, Dalian Science and Education and the Founder's Sister, pursuant to which the Founder's Sister granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from the Founder's Sister part or all of her equity interests in Dalian Science and Education for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;
- (vi) an exclusive call option agreement dated 22 August 2014 and entered into by and among our Company, the Founder and Wuhan Foreign School, pursuant to which the Founder granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from the Founder part or all of his sponsor interests in Wuhan Foreign School for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;
- (vii) an exclusive call option agreement dated 11 May 2014 and entered into among our Company, the Founder and Dalian Foreign School, pursuant to which the Founder granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from the Founder part or all of his sponsor interests in Dalian Foreign School for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;



## REPORT OF THE DIRECTORS

- (viii) an equity pledge agreement dated 26 May 2014 and entered into by and among Beipeng Software, Dalian Educational Group and the Founder's Sister, pursuant to which the Founder's Sister pledged all of her equity interests in Dalian Educational Group to Beipeng Software to guarantee the performance of the obligations of the Founder's Sister and Dalian Educational Group and its subsidiary entities under the exclusive management consultancy and business cooperation agreement (as described in item (i)), the exclusive call option agreement (as described in item (iv)), and power of attorney (as described in item (x));
- (ix) an equity pledge agreement dated 26 May 2014 and entered into by and among Beipeng Software, Dalian Science and Education and the Founder's Sister, pursuant to which the Founder's Sister pledged all of her equity interests in Dalian Science and Education to Beipeng Software to guarantee the performance of the obligations of Dalian Science and Education and its subsidiary entities under the exclusive management consultancy and business cooperation agreement (as described in item (i)), the exclusive call option agreement (as described in item (v)) and power of attorney (as described in item (x));
- (x) a power of attorney executed by the Founder's Sister dated 11 May 2014 appointing Beipeng Software, or nominee(s) of Beipeng Software, as her attorney-in-fact to exercise the shareholder's rights in Dalian Educational Group and Dalian Science and Education;
- (xi) a power of attorney executed by the Founder dated 11 May 2014 appointing Beipeng Software, or nominee(s) of Beipeng Software, as his attorney-in-fact to exercise the shareholder's rights in Dalian Foreign School and Wuhan Foreign School (items (i) to (xi) collectively referred to as the "**2014 Contractual Arrangements**").

On 22 September 2017, Education Department of Zhejiang Province issued an administrative licensing decision (Zhe Jiao Xu Ke [2017] No. 23) approving to change the sponsor of Yiwu Maple Leaf Foreign Nationals School ("**Yiwu Foreign School**") from the Founder to Beipeng Software. Yiwu Foreign School, Beipeng Software, the Company and the Founder entered into a VIE termination agreement on 8 November 2018, which terminated the relevant VIE agreements for Yiwu Foreign School ("**Termination**"), including: (i) the exclusive management consultancy and business cooperation agreement entered into among Beipeng Software, Yiwu Foreign School and the Founder on 22 June 2016, (ii) the exclusive call option agreement entered into among the Company, the Founder and Yiwu Foreign School on 22 June 2016, and (iii) the power of attorney executed by the Founder on 22 June 2016. Upon the completion of the Termination, Yiwu Foreign School was transferred to the Group and as at the date of this report, Yiwu Foreign School is directly held by Beipeng Software and not subject to VIE Agreements.

- (xii) an exclusive management consultancy and business cooperation agreement dated 30 August 2021 and entered into by and among Shenzhen Beipeng Software, Shenzhen Educational Group and its subsidiary entities, including but not limited to companies, schools and entities which it directly or indirectly holds more than 50% interests of, pursuant to which Shenzhen Educational Group agreed to engage Shenzhen Beipeng Software as the exclusive service provider to provide Shenzhen Educational Group and its subsidiary entities with comprehensive business management consultancy and educational consultancy services, intellectual property licenses, technical support and business support services, and in return, Shenzhen Beipeng Software will charge for the services;
- (xiii) an exclusive call option agreement dated 30 August 2021 and entered into by and among our Company, Shenzhen Educational Group, Ms. Lihua Liu ("**Ms. Liu**"), and Ms. Tingting Sun ("**Ms. Sun**"), pursuant to which Ms. Liu and Ms. Sun granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from Ms. Liu and Ms. Sun part or all of the equity interests in Shenzhen Educational Group for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;
- (xiv) an equity pledge agreement dated 30 August 2021 and entered into by and among Shenzhen Educational Group, Ms. Liu, Ms. Sun and Shenzhen Beipeng Software, pursuant to which Ms. Liu and Ms. Sun pledged all of the equity interests in Shenzhen Educational Group to Shenzhen Beipeng Software to guarantee the performance of the obligations of Ms. Liu, Ms. Sun and Shenzhen Educational Group and its subsidiary entities under the exclusive management consultancy and business cooperation agreement (as described in item (xii)), the exclusive call option agreement (as described in item (xiii)), and power of attorney (as described in item (xv)); and

## REPORT OF THE DIRECTORS

- (xv) a power of attorney executed by Ms. Liu and Ms. Sun dated 30 August 2021 appointing Shenzhen Beipeng Software, or nominee(s) of Shenzhen Beipeng Software, as the attorney-in-fact to exercise the shareholders' rights in Shenzhen Educational Group (items (xii) to (xv) collectively referred to as the "**2021 Contractual Arrangements**").

Apart from the above, there are no other new Contractual Arrangements entered into, renewed or reproduced between the Group and the PRC consolidated affiliated entities during the financial year ended 31 August 2021. Save as disclosed in this report, there was no material change in the Contractual Arrangements under which they were adopted for the year ended 31 August 2021, except that Shenzhen Maple Leaf Online Education Co., Ltd., Shenzhen Maple Leaf International Travel Agency Co., Ltd., Eastern International Education Investment (Shenzhen) Co., Ltd., and Maple Leaf School – Shenzhen have been added as subsidiary entities of Shenzhen Educational Group pursuant to the requirements of the management consultancy and business cooperation agreement in (xii) above, and Maple Leaf Preschools – Dalian Jinzhou, Xiangyang Maple Leaf Preschool Educational Management Co., Ltd., Maple Leaf Elementary School – Tianjin Nankai, Maple Leaf International School – Tianjin Eco-City, Maple Leaf Preschool – Tianjin TEDA Co., Ltd., Maple Leaf Bilingual Preschool – Hainan Co., Ltd., and Maple Leaf Bilingual High School – Hohhot Co., Ltd. have been added as subsidiary entities of Dalian Educational Group pursuant to the requirements of the management consultancy and business cooperation agreement in (i) above.

For the year ended 31 August 2021, none of the Contractual Arrangements has been terminated as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

For the year ended 31 August 2021, the Group has adopted various measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and the Group's compliance with the Contractual Arrangements including the review of the overall performance of and compliance with the structured contracts under the Contractual Arrangements by the Board at least once a year.

We have been advised by our PRC legal advisor that the Contractual Arrangements do not violate the relevant PRC regulations as at 31 August 2021.

On 14 May 2021, the PRC State Council announced the Implementation Regulations, which came into effect on 1 September 2021. The restrictions in the Implementation Regulations on the prohibition of foreign participation in private schools that provide compulsory education and not-for-profit preschools by means of mergers and acquisitions, contractual agreements and related party transactions. The restrictions are intended to ensure the legitimate rights and interests of not-for-profit schools, especially to protect the property rights and interests of not-for-profit schools and to avoid the improper transfer of proceeds from the operation of not-for-profit schools.

The Implementation Regulations stipulate that no social organisation or individual may control a private school that is an elementary school or middle school (learning stages) or not-for-profit preschools by means of mergers and acquisitions, contractual agreements and related party transactions, etc. As advised by our PRC legal advisor, PRC laws and regulations do not have retrospective effect, except for the special provisions developed for the better protection of the rights and interests of citizens, legal persons, and other organisations. According to our PRC legal advisor, the Implementation Regulations should be subject to further laws, regulations or rules (if any) by relevant local competent regulatory authorities or other organs of state power, rendering it retrospective. As a result, there are uncertainties concerning the validity and enforceability of the current Contractual Arrangements between the Group and the Affected Schools and therefore it could not be concluded that they are legally binding and enforceable upon the Implementation Regulations becoming effective on 1 September 2021.



## REPORT OF THE DIRECTORS

### Revenue, profit before taxation and assets subject to the Contractual Arrangements

For the year ended 31 August 2021, the revenue and profit before taxation subject to the Contractual Arrangements are RMB228.5 million and RMB65.8 million, respectively. As at 31 August 2021, the total assets subject to the Contractual Arrangements are RMB3,398.6 million.

### Listing Rules Implications

#### The 2014 Contractual Arrangements

As the Founder is our Controlling Shareholder and our chairman of the Board and is therefore our connected person pursuant to Rule 14A.07(1) of the Listing Rules. The Founder's Sister is the sister of the Founder and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(2)(a) and 14A.07(4) of the Listing Rules. Dalian Educational Group is wholly owned by the Founder's Sister and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(2)(b) and 14A.07(4) of the Listing Rules. Dalian Science and Education is 95.3% indirectly owned by the Founder's Sister via Dalian Educational Group, which she controls, and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(2)(b) and 14A.07(4) of the Listing Rules. Each of Wuhan Foreign School and Dalian Foreign School is wholly owned by the Founder and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(1)(c) and 14A.07(4) of the Listing Rules. Accordingly, the 2014 Contractual Arrangements constitute connected transactions of the Company under the Listing Rules.

#### The 2021 Contractual Arrangements

Ms. Liu and Ms. Sun are independent third parties. Shenzhen Education Group is owned as to 99.99% and 0.01% by Ms. Liu and Ms. Sun respectively. The 2021 Contractual Arrangements do not constitute notifiable or connected transactions of the Company under Chapters 14 and 14A of the Listing Rules.

### Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted a specific waiver to the Company from strict compliance with the connected transactions requirement of Chapter 14A of the Listing Rules in respect of the 2014 Contractual Arrangements, including (i) the announcement and independent Shareholders' approval requirements, (ii) the requirement of setting an annual cap for the fees payable to Beipeng Software under the 2014 Contractual Arrangements and (iii) the requirement of limiting the term of the 2014 Contractual Arrangements to three years or less, for so long as the Shares are listed on the Stock Exchange, subject however to the condition that the 2014 Contractual Arrangements subsist and that the consolidated affiliated entities will continue to be consolidated into our Group's financial results as if they were our Group's subsidiaries. If any terms of the 2014 Contractual Arrangements are altered or if the Group enters into any new agreements with any connected persons in the future, the Group must fully comply with the relevant requirements under the Listing Rules unless we obtain a separate waiver from the Stock Exchange.

## REPORT OF THE DIRECTORS

### Agreements with Beipeng Software

Pursuant to the exclusive management consultancy and business cooperation agreements entered into by and among (i) Beipeng Software, Dalian Educational Group and any of its subsidiaries and schools and the Founder's Sister on 11 May 2014 and (ii) Beipeng Software, Wuhan Foreign School, Dalian Foreign School and the Founder on 22 August 2014, each of which superseded all previous agreements among the parties with respect to subject matters thereof, Beipeng Software has the exclusive right to provide, or designate any third party to provide each of the Group's consolidated affiliated entities with intellectual property development and licensing services as well as comprehensive technical and educational consultancy services (the "Services"). Such Services include educational software and course materials, research and development, employee training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resource and internal information management, network development, upgrade and ordinary maintenance services, sales of proprietary products, and software and trademark and know-how licensing and other additional services as the parties may mutually agree from time to time.

For the year ended 31 August 2021, the Services provided by Beipeng Software to Dalian Educational Group and its subsidiaries, Wuhan Foreign School and Dalian Foreign School amounted to RMB6.8 million.

### Agreements with Shenzhen Beipeng Software

Pursuant to the exclusive management consultancy and business cooperation agreement entered into by and among Shenzhen Beipeng Software and Shenzhen Educational Group and any of its subsidiaries and schools on 30 August 2021, Shenzhen Beipeng Software has the exclusive right to provide, or designate any third party to provide Services to each of the Group's consolidated affiliated entities. Such Services include educational software and course materials, research and development, employee training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resource and internal information management, network development, upgrade and ordinary maintenance services, sales of proprietary products, and software and trademark and know-how licensing and other additional services as the parties may mutually agree from time to time.

For the year ended 31 August 2021, the Services provided by Shenzhen Beipeng Software to Shenzhen Educational Group and its subsidiaries and schools amounted to nil.

### Confirmation from Independent Non-executive Directors

Our Independent Non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during the year ended 31 August 2021 have been entered into in accordance with the relevant provisions of the Contractual Arrangements and that the profit generated by the consolidated affiliated entities has been retained by Beipeng Software, (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended 31 August 2021, (iii) in respect of the 2014 Contractual Arrangements, no new contracts were entered into, renewed or reproduced during the year ended 31 August 2021, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms and are fair and reasonable and in the interests of the shareholders as a whole.



## REPORT OF THE DIRECTORS

### Confirmations from the Company's Independent Auditors

The auditors of the Company have confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 August 2021:

1. nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Board; and
2. nothing has come to their attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions;

In light of the recent deconsolidation of the Affected School on 31 August 2021, the Group is now assessing the Listing Rules' implications on the related party balances as disclosed in note 44 to the consolidated financial statements. Save as aforesaid, during the year ended 31 August 2021, no related party transactions disclosed in note 44 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

### Updates in Relation to the Qualification Requirement

Our PRC legal advisor has advised us that there have not been changes in the relevant regulatory developments and guidance relating to the Qualification Requirement since the publication of the Prospectus.

### Efforts and Actions Undertaken to Comply with the Qualification Requirement

Up to the date of this report, apart from the steps taken as disclosed in the Prospectus and previous years' annual reports, the Group is still in the progress of working on different ways of obtaining the Qualification Requirement.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 August 2021.

## CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students and their parents or other guardians. We did not have a single customer who accounted for more than 5% of our revenue for the two years ended 31 August 2021 and 2020.

For the year ended 31 August 2021, our five largest suppliers in aggregate accounted for approximately 3.8% (2020: 3.04%) of our cost of revenue and our largest supplier accounted for approximately 1.2% (2020: 1.02%) of our cost of revenue. None of our Directors, their respective close associates, or any Shareholder of the Company who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest suppliers.

## REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 August 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), Chapter 571 of the Laws of Hong Kong) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### Long/short positions in Shares and underlying Shares of the Company

Name of Director/ Chief executive	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Shares and underlying Shares	Approximate percentage of shareholding (Note 1)	Long position/ Short position
Shu Liang Sherman Jen (“Mr. Jen”)	Founder of a discretionary trust who can influence how the trustee exercises his discretion	1,483,639,818 (Note 2)	–	1,483,639,818	49.53%	Long position
				50,000,000 (Notes 2 and 3)	1.67%	Short position
	Beneficial interest	79,086,850	–	79,086,850	2.64%	Long position
	Interest of spouse	1,342 (Note 4)	–	1,342	0.00%	Long position
Jingxia Zhang	Beneficial interest	3,511,146	800,000 (Note 5)	4,311,146	0.14%	Long position
James William Beeke	Interest of controlled corporation	884,000 (Note 6)	–	884,000	0.03%	Long position
	Beneficial interest	51,342	400,000 (Note 5)	451,342	0.02%	Long position
Peter Humphrey Owen	Beneficial interest	121,342	460,800 (Note 5)	582,142	0.02%	Long position
Lap Tat Arthur Wong	Beneficial interest	520,000	460,800 (Note 5)	980,800	0.03%	Long position

Notes:

- The total number of 2,995,320,920 Shares of the Company in issue as at 31 August 2021 has been used for the calculation of the approximate percentage.
- Sherman Investment is a company incorporated in the British Virgin Islands, which is indirectly wholly owned by a discretionary trust. Mr. Jen is the founder of the discretionary trust who can influence how the trustee exercises his discretion, and is deemed to be interested in the long position in 1,483,639,818 Shares and the short position in 50,000,000 Shares held by Sherman Investment.
- Pursuant to the Securities Lending Agreement dated 12 January 2021, Sherman Investment has provided securities lending to UBS AG, London Branch (“the Borrower”) with an aggregate of up to 330,000,000 Shares upon and subject to the terms and conditions stated in the Securities Lending Agreements. Sherman Investment shall deliver up to 50,000,000 Shares of the Company to the Borrower upon request.
- Mr. Jen is the spouse of Ms. Meichen Amy Yan (“Ms. Yan”) who is interested in 1,342 Shares. Mr. Jen is deemed to be interested in all the Shares in which Ms. Yan is interested by virtue of the SFO.
- These interests in underlying Shares represent the interests in outstanding options (being regarded as unlisted physically settled equity derivatives) granted pursuant to the Post-IPO share option scheme approved and adopted by the Company on 10 November 2014 (“Post-IPO Share Option Scheme”) to subscribe for the relevant number of Shares.
- These Shares were held by Signum International Educational Services Inc. (“Signum Services”), a company which is owned as to 51% by Mr. James William Beeke and 49% by his spouse. Mr. James William Beeke is deemed to be interested in all the Shares held by Signum Services.

## REPORT OF THE DIRECTORS

### Interest in shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Number of issued shares	Percentage of total issued shares of the associated corporation	Long position/ Short position
Mr. Jen	Sherman Investment	Founder of a discretionary trust who can influence how the trustee exercises his discretion*	50,000	100%	Long position

\* A discretionary trust has been set up and the entire issued capital of Sherman Investment was transferred from Mr. Jen to Sherman Int'l, the shares of which form the assets of a trust, of which Mr. Jen is the Founder.

Save as disclosed above, as at 31 August 2021, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 August 2021, the following persons or corporations, other than the Directors or the chief executive of the Company, had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity	Total interest in Shares and underlying Shares	Approximate percentage of interest in the Company (Note 1)	Long position/ Short position
Sherman Investment (Note 2)	Beneficial interest	1,203,639,818	40.18%	Long position
	Other	280,000,000	9.35%	Long position
		50,000,000 (Note 3)	1.67%	Short position
Sherman Int'l (Note 4)	Interest of controlled corporation	1,483,639,818	49.53%	Long position
		50,000,000	1.67%	Short position
HSBC International Trustee Limited ("HSBC Trustee") (Note 5)	Trustee	1,483,639,818	49.53%	Long position
Ms. Yan (Note 6)	Interest of spouse	1,562,726,668	52.17%	Long position
		50,000,000 (Note 3)	1.67%	Short position
	Beneficial interest	1,342	0.00%	Long position
UBS Group AG (Note 7)	Interest of controlled corporation	436,635,118	14.58%	Long position
		397,827,022 (Notes 7 and 8)	13.28%	Short position

## REPORT OF THE DIRECTORS

### Notes:

- (1) *The total number of 2,995,320,920 Shares of the Company in issue as at 31 August 2021 has been used for the calculation of the approximate percentage.*
- (2) *Sherman Investment is indirectly wholly owned by a discretionary trust. Mr. Jen is the founder of the discretionary trust who can influence how the trustee exercises his discretion.*
- (3) *Pursuant to the Securities Lending Agreement dated 12 January 2021, Sherman Investment has provided securities lending to the Borrower with an aggregate of up to 330,000,000 Shares upon and subject to the terms and conditions stated in the Securities Lending Agreements. Sherman Investment shall deliver up to 50,000,000 Shares of the Company to the Borrower upon request.*
- (4) *Sherman Int'l owns 100% shareholding in Sherman Investment and is therefore deemed to be interested in all the Shares which Sherman Investment is interested by virtue of the SFO.*
- (5) *HSBC Trustee is the trustee of a discretionary trust, of which Mr. Jen is the founder, owns 100% shareholding in Sherman Int'l and is therefore deemed to be interested in all the Shares which Sherman Int'l is interested by virtue of the SFO.*
- (6) *Ms. Yan is the spouse of Mr. Jen and, therefore, Ms. Yan is deemed to be interested in all the Shares and underlying Shares in which Mr. Jen is interested or deemed to be interested by virtue of the SFO.*
- (7) *UBS AG, UBS Switzerland AG, UBS Asset Management Switzerland AG, UBS Fund Management (Switzerland) AG and UBS Europe SE are the beneficial owners of 397,301,598, 3,303,520, 376,000, 234,000 and 35,420,000 Shares respectively, and UBS AG and UBS Switzerland AG have a short position in 397,567,023 Shares and 259,999 Shares respectively, as at 31 August 2021. Such interests included (a) a long position in respect of 160,490,345 underlying Shares and a short position in respect of 88,562,925 underlying Shares, which constituted listed physically settled derivatives; and (b) a long position in respect of 25,557,000 underlying Shares and a short position in respect of 24,570,025 underlying Shares, which constituted unlisted cash settled derivatives.*
- (8) *Each of UBS AG, UBS Switzerland AG, UBS Asset Management Switzerland AG, UBS Fund Management (Switzerland) AG and UBS Europe SE is wholly owned by UBS Group AG. UBS Group AG is deemed to be interested in all the Shares in which UBS AG, UBS Switzerland AG, UBS Asset Management Switzerland AG, UBS Fund Management (Switzerland) AG and UBS Europe SE are interested by virtue of the SFO.*

Save as disclosed above, as at 31 August 2021, no other person or corporation, other than the Directors or the chief executive of the Company, had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## REMUNERATION POLICY

Employees of the Group are selected, remunerated and promoted on the basis of their merits, qualifications, competence and contributions to the Group. Compensation of key executives of the Group is determined by the Company's remuneration committee which reviews and determines executives' compensation based on the Group's performance and the executives' respective contributions to the Group.

The Company also has a provident fund set up for its employees and share incentive schemes as described below.

## SHARE INCENTIVE SCHEMES

In order to incentivise our Directors, senior management, other employees and consultants for their contribution to the Group and to attract and retain suitable personnel to our Group, on 10 November 2014 we adopted the Post-IPO Share Option Scheme and the restricted share units scheme which was subsequently modified by the Board on 28 April 2015 and renamed as the Share Award Scheme. The Company has also adopted the employee share purchase plan on 12 October 2020.





## REPORT OF THE DIRECTORS

Details on the movement of the relevant scheme for the year ended 31 August 2021 is set out in note 36 to the financial statements.

### 1. Post-IPO Share Option Scheme

#### (a) Purpose of the Post-IPO Share Option Scheme

The Company adopted the Post-IPO Share Option Scheme on 10 November 2014 to enable our Group to grant options to selected participants as incentives or rewards for their contributions to our Group. Our Directors consider the Post-IPO Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

#### (b) Who may join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up options to subscribe for Shares:

- (i) any Directors (including Executive Directors, Non-executive Directors and Independent Non-executive Directors) and employees of any member of our Group; and
- (ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of our Group.

For the purposes of the Post-IPO Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of these classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Post-IPO Share Option Scheme.

The eligibility of any of these class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group.

## REPORT OF THE DIRECTORS

### (c) Maximum number of Shares

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10% of the shares in issue of our Company.

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10% of the Shares in issue on the Listing Date, such 10% limit represents 266,800,000 Shares (the “**General Scheme Limit**”) but excluding any Shares which may be issued upon the exercise of the over-allotment option for the Listing.

As at the date of this report, the Company had a total of 186,460,568 Shares available for issue under the Post-IPO Share Option Scheme (representing approximately 6.23% of the issued Shares as at the date of this report).

Subject to paragraph (a) above and without prejudice to paragraph (d) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not exceed 10% of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Post-IPO Share Option Scheme and any other share option scheme of our Group) previously granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under the Listing Rules.

Subject to paragraph (a) above and without prejudice to paragraph (c) herein, our Company may seek separate Shareholders’ approval in a general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (c) herein to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under the Listing Rules.

### (d) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Share Option Scheme and any other share option scheme of our Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the “**Individual Limit**”). Any further grant of options in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders’ approval in general meeting of our Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders’ approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.



## REPORT OF THE DIRECTORS

### **(e) Grant of options to connected persons**

Any grant of options under the Post-IPO Share Option Scheme to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by our Independent Non-executive Directors (excluding any Independent Non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial Shareholder of our Company or an Independent Non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet as at the date of the offer of grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange);

such further grant of options must be approved by our Shareholders in a general meeting. Our Company must send a circular to its Shareholders. All connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll.

Any change in the terms of options granted to a substantial Shareholder or an Independent Non-executive Director or any of their respective associates must be approved by our Shareholders in a general meeting.

### **(f) Time of acceptance and exercise of option**

An option may be accepted by a participant within five business days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-IPO Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Post-IPO Share Option Scheme for the holding of an option before it can be exercised.

## REPORT OF THE DIRECTORS

### **(g) Subscription price for Shares**

The subscription price per Share under the Post-IPO Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Listing shall be used as the closing price for any business day falling within the period before Listing); and
- (iii) the nominal value of a share on the date of grant.

A nominal consideration of HK\$1.00 is payable upon acceptance of the grant of an option.

### **(h) Restriction on the time of grant of options**

No offer for grant of options shall be made after an inside information event has occurred or an inside information matter has been the subject of a decision until such inside information has been announced in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of our Directors (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and (ii) the last date on which our Company must publish its announcement of its results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no offer for grant of options may be made.

Our Directors may not grant any option to a participant who is a Director during the period or time in which Directors are prohibited from dealing in shares pursuant to the Model Code prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

### **(i) Period of the Post-IPO Share Option Scheme**

The Post-IPO Share Option Scheme will remain in force for a period of 10 years from 10 November 2014.



## REPORT OF THE DIRECTORS

### (j) Outstanding Share Options

The following table discloses movements in the outstanding share options granted to all grantees under the Post-IPO Share Option Scheme as at 31 August 2021. No Option was granted or exercised under the Post-IPO Share Option Scheme during the financial year ended 31 August 2021.

Grantees	Date of grant	Number of share options					As at 31 August 2021	Exercise period/date	Exercise price (Note)	Vesting period/date
		As at 1 September 2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year				
<b>Directors</b>										
Jingxia Zhang	14 June 2018	400,000	-	-	-	(400,000)	-	1 January 2021-31 January 2021	HK\$7.22	1 January 2021
		400,000	-	-	-	-	400,000	1 January 2022-31 January 2022	HK\$7.22	1 January 2022
		400,000	-	-	-	-	400,000	1 January 2023-31 January 2023	HK\$7.22	1 January 2023
James William Beeke	14 June 2018	200,000	-	-	-	(200,000)	-	1 January 2021-31 January 2021	HK\$7.22	1 January 2021
		200,000	-	-	-	-	200,000	1 January 2022-31 January 2022	HK\$7.22	1 January 2022
		200,000	-	-	-	-	200,000	1 January 2023-31 January 2023	HK\$7.22	1 January 2023
Peter Humphrey Owen	14 June 2018	138,400	-	-	-	(138,400)	-	1 January 2021-31 January 2021	HK\$7.22	1 January 2021
		138,400	-	-	-	-	138,400	1 January 2022-31 January 2022	HK\$7.22	1 January 2022
		138,400	-	-	-	-	138,400	1 January 2023-31 January 2023	HK\$7.22	1 January 2023
	28 June 2019	62,000	-	-	-	(62,000)	-	1 January 2021-31 January 2021	HK\$3.11	1 January 2021
		62,000	-	-	-	-	62,000	1 January 2022-31 January 2022	HK\$3.11	1 January 2022
		62,000	-	-	-	-	62,000	1 January 2023-31 January 2023	HK\$3.11	1 January 2023
		60,000	-	-	-	-	60,000	1 January 2024-31 January 2024	HK\$3.11	1 January 2024
Lap Tat Arthur Wong	14 June 2018	138,400	-	-	-	(138,400)	-	1 January 2021-31 January 2021	HK\$7.22	1 January 2021
		138,400	-	-	-	-	138,400	1 January 2022-31 January 2022	HK\$7.22	1 January 2022
		138,400	-	-	-	-	138,400	1 January 2023-31 January 2023	HK\$7.22	1 January 2023
	28 June 2019	62,000	-	-	-	(62,000)	-	1 January 2021-31 January 2021	HK\$3.11	1 January 2021
		62,000	-	-	-	-	62,000	1 January 2022-31 January 2022	HK\$3.11	1 January 2022
		62,000	-	-	-	-	62,000	1 January 2023-31 January 2023	HK\$3.11	1 January 2023
		60,000	-	-	-	-	60,000	1 January 2024-31 January 2024	HK\$3.11	1 January 2024
<b>Sub-total</b>		<b>3,122,400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,000,800)</b>	<b>2,121,600</b>			

The closing price of the Share immediately before the date on which the options were granted on 14 June 2018 and 28 June 2019 was HK\$7.28 (after the adjustment of share subdivision of the Company took place on 9 July 2018) and HK\$3.09 respectively.

## REPORT OF THE DIRECTORS

Grantees	Date of grant	Number of share options					As at 31 August 2021	Exercise period/date	Exercise price (Note)	Vesting period/date
		As at 1 September 2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year				
<b>Employees in aggregate</b>										
Sixth tranche	14 June 2018	6,440,000	-	-	(380,000)	(6,060,000)	-	1 January 2021–31 January 2021	HK\$7.22	1 January 2021
Seventh tranche	14 June 2018	6,440,000	-	-	(1,252,800)	-	5,187,200	1 January 2022–31 January 2022	HK\$7.22	1 January 2022
Eighth tranche	14 June 2018	6,440,000	-	-	(747,200)	-	5,692,800	1 January 2023–31 January 2023	HK\$7.22	1 January 2023
Eleventh tranche	28 June 2019	2,265,000	-	-	(135,000)	(2,130,000)	-	1 January 2021–31 January 2021	HK\$3.11	1 January 2021
Twelfth tranche	28 June 2019	2,145,000	-	-	(390,000)	-	1,755,000	1 January 2022–31 January 2022	HK\$3.11	1 January 2022
<b>Sub-total</b>		<b>23,730,000</b>	<b>-</b>	<b>-</b>	<b>(2,905,000)</b>	<b>(8,190,000)</b>	<b>12,635,000</b>			
<b>Total</b>		<b>26,852,400</b>	<b>-</b>	<b>-</b>	<b>(2,905,000)</b>	<b>(9,190,800)</b>	<b>14,756,600</b>			

The accounting policy adopted for the options is set out in note 36 to the financial statements.

The other principal terms of the Post-IPO Share Option Scheme are set out in the Prospectus.

## 2. Share Award Scheme

- (a) The Share Award Scheme was adopted by the Company on 10 November 2014 and modified by the Board on 28 April 2015.

The grant of share awards (the “**Awards**”) recognises the contribution of the Directors, executive officers, senior management, employees and consultants of the Company and of its subsidiaries and consolidated affiliated entities (collectively, “**Scheme Companies**” and each, a “**Scheme Company**”) to the historical achievements of the Company. The Company has the intention to continue exploring ways to incentivise, retain and reward Scheme Companies’ directors, executive officers, senior management and employees and may implement other share award schemes or other share-based remuneration schemes in the future.

(b) **Awards**

Each Award is a right to receive a Share at the end of the vesting period, subject to vesting conditions provided for under the Share Award Scheme. For each Award, the Eligible Participants (as defined below) may receive, subject to vesting, one Share.

Awards cannot be sold, pledged or transferred by the Eligible Participants by any means, except by inheritance.

(c) **Grant of Awards**

The Share Award Scheme provides for the grant of Awards by the Company to beneficiaries (the “**Beneficiaries**”) selected at the discretion of the Board from among the directors, executive officers, senior management, employees and consultants of the Scheme Companies (the “**Eligible Participants**”). Shares will not be released under the Awards until the applicable vesting conditions have been satisfied.

(d) **Shares underlying the Awards**

The Company will from time to time transfer the necessary funds and instruct the scheme trustee (“**Scheme Trustee**”) to acquire Shares through on-market transactions so as to satisfy Awards.

The Share Award Scheme Shares will be held on trust by the Scheme Trustee until their release to the Beneficiaries upon vesting of their Awards.

The grant of Awards by the Company to a connected person of the Company will be subject to the requirements of Chapter 14A of the Listing Rules.

## REPORT OF THE DIRECTORS

### (e) Restrictions on grants and Share purchases

No instruction may be given to the Scheme Trustee to acquire Shares and no Award may be granted when the Board is in possession of unpublished inside information in relation to the Scheme Companies or when dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

### (f) Vesting of Awards

Vesting of Awards is subject to continued employment of the Beneficiaries with a Scheme Company over the vesting period as determined by the Board. Upon vesting, the Company will instruct the Scheme Trustee to release Share Award Scheme Shares to the Beneficiary on its behalf.

In the event of termination of the employment or corporate officer's mandate of a Beneficiary with a Scheme Company, his or her Awards will be forfeited: (i) in the case of employment contracts, such forfeiture shall take effect on the date of receipt of the dismissal letter or the submission of the resignation letter (as the case may be), notwithstanding any period of notice (regardless of whether it has been given or satisfied), or on the date of the termination of the employment agreement for other circumstances, and (ii) in the case of corporate officer's mandate, such forfeiture shall take effect on the date of the expiration of the term of the mandate, or on the date of the dismissal or notification of such dismissal.

In the case of retirement or early retirement of the Beneficiary, Awards are not forfeited. However, the Shares are not released until they vest on the grantee.

If a Beneficiary's employer ceases to be a Scheme Company during the vesting period, the continued employment condition will be deemed not to have been satisfied.

No consideration is paid or payable by the grantees for the Shares to be issued under the Share Award Scheme.

### (g) Limit for each Beneficiary

Pursuant to a resolution passed at a meeting of the Board on 29 November 2016, the maximum number of Awards which may be granted to a Beneficiary but unvested under the Share Award Scheme was revised to not exceed 1% of the Shares in issue from time to time.

### (h) The Share Award Scheme Period

The Share Award Scheme shall be valid and effective from 28 April 2015 and end on the earlier of (i) the business day immediately prior to the tenth anniversary of 28 April 2015 except in respect of any non-vested Awards granted prior to the expiration of the Share Award Scheme, for the purpose of giving effect to the vesting of such Awards or otherwise as may be required in accordance with the provisions of the Share Award Scheme; and (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any Beneficiary in respect of the Awards already granted.

### (i) Outstanding Shares awarded

In July 2015, the Scheme Trustee purchased a total of 62,160,000 Shares on the Stock Exchange at a total consideration of approximately HK\$74.7 million (equivalent to approximately RMB59.0 million). During the year ended 31 August 2021, the Scheme Trustee did not purchase any Share on the Stock Exchange or grant any Share to the Eligible Participants of the Group under the Share Award Scheme and there was no movement in the outstanding Shares under the Share Award Scheme. As at 31 August 2021, there was no outstanding Share granted to the Eligible Participants of the Group under the Share Award Scheme.

As at the date of this report, there were a total of 24,309,988 Shares available under the Share Award Scheme (representing approximately 0.81% of the issued Shares as at the date of this report).

## REPORT OF THE DIRECTORS

### 3. Employee Share Purchase Plan (“ESPP”)

The Company’s ESPP was approved and adopted on 12 October 2020 which provides eligible employees with the opportunity to acquire proprietary interests in the Company and to encourage eligible employees to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the Shareholders as a whole. Chinese employees in the PRC who have been employed by the Group for three years or more are eligible to participate in the ESPP. Each year employees will make contributions according to their respective ranks, and a trustee will be responsible for purchasing Shares on their behalf. The ESPP permits eligible employees to purchase Shares of the Company with employee contributions and by awarding matching restricted shares which will be settled in Shares upon vesting. The Company will grant one Share (the “**Matching Shares(s)**”) for every three Shares held by the eligible employees under the ESPP.

For the year ended 31 August 2021, no Matching Shares were granted under the ESPP.

### Contingent Liabilities

On 15 November 2016, the Company received a writ of summons from Hong Kong Zhixin Financial News Agency Ltd. (“**Zhixin**”) seeking among other things, specific performance of the consultancy agreement (the “**Consultancy Agreement**”) between the Company and Zhixin by the allotment and issue of 7,000,000 shares of the Company to Zhixin, and damages in lieu or in addition thereof (the “**Zhixin Case**”). On 28 November 2016, the Company filed with the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) its acknowledgement of service of the writ and indicated its intention to defend the claim.

In December 2016, Zhixin took out an application for summary judgment against the Company. The hearing of the summary judgment application took place on 25 October 2017 in which Zhixin’s application was dismissed. The case has now proceeded to the main trial stage.

On 29 January 2018, Zhixin filed its amended statement of claim to allege that it is entitled to 17,500,000 shares of the Company by virtue of an option provided in the Consultancy Agreement. The date of hearing at the Court of First Instance of the High Court for the Zhixin Case is fixed on 16 May 2022.

Based on information currently available to the Company, it is not possible to estimate the financial effect of the Zhixin Case. As at 31 August 2021, the Company has not made any provision in respect of the Zhixin Case. The Company will provide an update as and when there is any material development in this matter.

The number of shares disclosed in Zhixin Case has not considered the effect of share subdivision of the Company that became effective on 9 July 2018.

## PURCHASE, SALES OR REDEMPTION OF OUR COMPANY’S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 August 2021.

## PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares of the Company, they are advised to consult an expert.





## REPORT OF THE DIRECTORS

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules as at the date of this report.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Company's Articles of Association that require the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

### LITIGATION

Save as disclosed in the section headed "Contingent liabilities" in "Management Discussion and Analysis" and "Report of the Directors", the Group did not have any material litigation outstanding as at 31 August 2021.

### CONTINUING DISCLOSURE PURSUANT TO LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

### CHANGE IN DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

Save as disclosed in the section headed "Directors and Senior Management" in this report, no change in information of Directors and chief executives is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there were no significant events after the reporting period.

### NON-COMPETITION UNDERTAKING

In March 2008, each of the Founders, Ms. Meichen Amy Yan, Ms. Shu Ling Jen and Sherman Investment undertook to the Company and among others not to establish new entities or schools that are in competition with the entities or schools directly or indirectly controlled by us without our consent ("**Non-competition Undertaking**").

The Founders, Ms. Meichen Amy Yan, Ms. Shu Ling Jen and Sherman Investment undertook to the Company and among others have confirmed their compliance with the Non-competition Undertaking throughout the period from the Listing Date to 31 August 2021. The Independent Non-executive Directors have also reviewed the compliance with the Non-competition Undertaking and are satisfied that they have complied with the undertakings.

## REPORT OF THE DIRECTORS

### AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2021 and has met with the independent auditors, Messrs. Deloitte Touche Tohmatsu (“**Deloitte**”). The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

### AUDITORS

The consolidated financial statements for the year ended 31 August 2021 have been audited by Deloitte. A resolution for the re-appointment of Deloitte as the Company’s auditors is to be proposed at the forthcoming AGM.

On behalf of the Board

**Shu Liang Sherman Jen**

*Chairman and Chief Executive Officer*

Hong Kong, 13 December 2021



# CORPORATE GOVERNANCE REPORT

The Board of China Maple Leaf Educational Systems Limited is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 August 2021.

## CORPORATE GOVERNANCE CODE

The Board has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders and to enhance corporate value and accountability.

During the year ended 31 August 2021 and up to the date of this report, the Company has applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules and has complied with all the applicable code provisions, save and except for code provision A.2.1.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer ("**CEO**") should not be performed by the same individual. Mr. Shu Liang Sherman Jen ("**Mr. Jen**") performs the dual roles of both chairman and CEO. The Board believes that by vesting the roles of both chairman and CEO in the same person, the Company derives the benefit of ensuring consistent leadership within the Group, which in turn enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiries have been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the year ended 31 August 2021.

## CORPORATE GOVERNANCE REPORT

### BOARD OF DIRECTORS

The Board currently comprises six members, consisting of three Executive Directors and three Independent Non-executive Directors.

The composition of the Board as at the date of this report is as follows:

#### Executive Directors

Mr. Shu Liang Sherman Jen (*Chairman and Chief Executive Officer*)

Ms. Jingxia Zhang (*Chief Financial Officer*)

Mr. James William Beeke

#### Independent Non-executive Directors

Mr. Peter Humphrey Owen

Mr. Alan Shaver

Mr. Lap Tat Arthur Wong

The biographical information of the Directors is set out in the section headed “Directors and Senior Management” in this report.

None of the members of the Board is related to one another.

#### Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should not be performed by the same individual.

The Board does not have a separate chairman and CEO. Mr. Jen performs the dual roles of both chairman and CEO. The Board believes that by vesting the roles of both chairman and CEO in the same person, the Company derives the benefit of ensuring consistent leadership within our Group, which in turn enables more effective and efficient overall strategic planning for our Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.



## CORPORATE GOVERNANCE REPORT

### Board Meetings and Shareholders' Meetings Held

During the year ended 31 August 2021, the Board convened four Board meetings and the Company convened an annual general meeting ("AGM"). A summary of the attendance record of the Directors is set out in the following table:

Name of Director	Board Meetings	AGM
<b>Executive Directors</b>		
Mr. Shu Liang Sherman Jen	4/4	1/1
Ms. Jingxia Zhang	4/4	1/1
Mr. James William Beeke	4/4	0/1
<b>Independent Non-executive Directors</b>		
Mr. Peter Humphrey Owen	4/4	0/1
Mr. Alan Shaver	4/4	0/1
Mr. Lap Tat Arthur Wong	4/4	1/1

The Board will meet at least four times in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of other Directors during the year ended 31 August 2021.

### Independent Non-executive Directors

The Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing more than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each Independent Non-executive Director a written annual confirmation in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Based on such confirmation, the Board considers that all Independent Non-executive Directors are independent.

### Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 of the CG Code states that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

## CORPORATE GOVERNANCE REPORT

All Directors including Independent Non-executive Directors have been appointed for a fixed term of not more than three years. Mr. Peter Humphrey Owen, Mr. Alan Shaver and Mr. Lap Tat Arthur Wong, the Independent Non-executive Directors, were appointed for a term of three years commencing on 1 September 2019, 31 August 2019 and 1 September 2019 respectively. Each of the Directors is subject to retirement by rotation once every three years in accordance with the Company's Articles of Association. The Articles of Association requires that at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

### **Responsibilities, Accountabilities and Contributions of the Board and Management**

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company.

All Directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experiences, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operations and management of the Company are delegated to the management.

### **Continuous Professional Development of Directors**

Directors shall keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Group.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Group and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

In accordance with code provision A.6.5 of the CG Code with regard to continuous professional development, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.



## CORPORATE GOVERNANCE REPORT

During the year ended 31 August 2021, the key methods of attaining continuous professional development by each of the Directors are summarized as follows:

Name of Director	Attending courses/ seminars/ conferences	Reading books/ journals/ articles
Mr. Shu Liang Sherman Jen	✓	✓
Ms. Jingxia Zhang	✓	✓
Mr. James William Beeke	✓	✓
Mr. Peter Humphrey Owen	✓	✓
Mr. Alan Shaver	✓	✓
Mr. Lap Tat Arthur Wong	✓	✓

### BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee, to oversee particular aspects of the Company's affairs. Each of these committees was established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out in the section headed "Corporate Information" in this report.

#### Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control procedures and risk management systems of our Group, to oversee the audit process and the relationship with external auditor, to review arrangements enabling employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company and to perform other duties and responsibilities as assigned by our Board.

The Audit Committee consists of three members: Mr. Lap Tat Arthur Wong, Mr. Peter Humphrey Owen, and Mr. Alan Shaver, all of whom are Independent Non-executive Directors. Mr. Lap Tat Arthur Wong is the chairman of the Audit Committee.

## CORPORATE GOVERNANCE REPORT

During the year ended 31 August 2021, the Audit Committee held three meetings. The attendance record of the meetings is set out in the table below:

<b>Name of Committee Member</b>	<b>Attendance/Number of meetings</b>
Mr. Lap Tat Arthur Wong	3/3
Mr. Peter Humphrey Owen	3/3
Mr. Alan Shaver	3/3

During the meetings, the Audit Committee reviewed the annual results and reports for the year ended 31 August 2020 and the interim results and report for the six months ended 28 February 2021, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors.

During the year ended 31 August 2021, the Audit Committee also met with the external auditors for three times in the absence of the Executive Directors.

### Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with paragraph B.1 of the CG Code. The primary duties of the Remuneration Committee include but are not limited to, (i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) making recommendations to the Board on the remuneration packages of all Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; and (iv) reviewing and approving the terms of incentive schemes and Directors' service contracts.

The Remuneration Committee consists of three members: Mr. Peter Humphrey Owen, Mr. James William Beeke and Mr. Alan Shaver. Mr. Beeke is an Executive Director and Mr. Owen and Mr. Shaver are Independent Non-executive Directors. Mr. Owen is the chairman of the Remuneration Committee.

During the year ended 31 August 2021, the Remuneration Committee held three meetings. The attendance record of the meetings is set out in the table below:

<b>Name of Committee Member</b>	<b>Attendance/Number of meetings</b>
Mr. Peter Humphrey Owen	3/3
Mr. James William Beeke	2/3
Mr. Alan Shaver	3/3





## CORPORATE GOVERNANCE REPORT

During the meeting, the Remuneration Committee reviewed the remuneration policy and structure of the Company, the remuneration packages of the Executive Directors and senior management, compensation for senior staff, long-term incentive for enhancing staff retention and recruitment and other related matters of the Company. The Remuneration Committee also reviewed the adequacy of its terms of reference and the efficiency of the work of the Remuneration Committee.

During the year ended 31 August 2021, the total remuneration paid/payable to the senior management (including all Executive Directors) by band expressed in Hong Kong dollars is set out below:

Band	Number of senior management
HK\$1,500,000 to HK\$2,000,000	1
HK\$2,500,001 to HK\$3,000,000	1
HK\$3,000,001 to HK\$3,500,000	2
HK\$4,000,001 to HK\$4,500,000	1

### Nomination and Corporate Governance Committee

The Company has established a Nomination and Corporate Governance Committee (“**N&CGC**”) with written terms of reference in compliance with paragraphs A.5 and D.3 of the CG Code. The N&CGC has the following two main functions: (i) nomination function including reviewing the structure, size, composition and performance of the Board, developing and recommending to the Board on nomination guidelines, assessing the independence of Independent Non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors; and (ii) corporate governance function including developing and reviewing the Company’s corporate governance policies and practices, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company’s policies and practices on compliance with legal and regulatory requirements and reviewing the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report.

The N&CGC consists of three members: Mr. Shu Liang Sherman Jen, Mr. Peter Humphrey Owen and Mr. Alan Shaver. Mr. Jen is an Executive Director and Mr. Owen and Mr. Shaver are Independent Non-executive Directors. Mr. Jen is the chairman of the N&CGC.

### Director Nomination Policy

On 9 November 2018, the Company adopted a director nomination policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors. When assessing and selecting candidates of directors, the N&CGC and the Board will consider the character, integrity, qualifications, including professional qualifications, skills, knowledge and experience and diversity elements as described in the Board Diversity Policy of the candidates. For appointment of Independent Non-executive Directors, the Company will also consider the independence of the candidates in accordance with the Listing Rules and the commitment of sufficient time in order to discharge the duties as the member of the Board and the Board Committees.

## CORPORATE GOVERNANCE REPORT

For appointment of directors, the N&CGC should recommend to the Board to appoint suitable candidates for directorship. For person nominated by shareholders for election as a director at the general meeting of the Company, the N&CGC and/or the Board should assess such candidate based on the above selection criteria to determine the eligibility of such candidate to be appointed as a director, and thus make recommendation to the shareholders on the proposal of election of director at the general meeting.

For re-election of directors at the general meeting, the N&CGC and/or the Board should review the overall contribution and services made by the retired directors to the Company, and consider whether their level of engagement and performance in the Board meet the above standards, and make recommendation to the shareholders on the proposed re-election of directors at the general meeting.

During the year ended 31 August 2021, the N&CGC held one meeting. The attendance record of the meeting is set out in the table below:

Name of Committee Member	Attendance/Number of meeting
Mr. Shu Liang Sherman Jen	1/1
Mr. Peter Humphrey Owen	1/1
Mr. Alan Shaver	1/1

During the meeting, the N&CGC reviewed the structure, size, composition and diversity of the Board, assessed the independence of Independent Non-executive Directors, made recommendation to the Board for the re-election of directors, reviewed the Company's policies and practices on corporate governance, and on compliance with the CG Code, the Listing Rules and other legal and regulatory requirements and discussed the adequacy on the training and continuous professional development of Directors and senior management.

### Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and strives to maintain a Board with diversity perspectives at all levels, in particular, those aligning with the Company's strategies and objectives. In determining the composition of the Board and the nomination of directors, the Company takes into consideration a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications and skills, knowledge and industries and regional experience. Measurable objectives are adopted for achieving diversity of the Board. The Company will conduct regular assessment on the diversity perspective, measurable objectives and progress in achieving the objective of diversity.

The N&CGC is responsible for monitoring and reviewing the Board Diversity Policy annually. During the year ended 31 August 2021, the N&CGC was satisfied with the diversity of the existing Board and did not recommend any change of the size of the Board.



## CORPORATE GOVERNANCE REPORT

### DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 August 2021.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 79 in this report.

As described in Note 2 to the consolidated financial statements in this report, during the year ended 31 August 2021, the Group incurred net losses from continuing operations and discontinued operation of approximately RMB671.9 million and RMB2.5 billion respectively, and, as at 31 August 2021, the Group had net current liabilities of approximately RMB600.8 million. The Group's total secured bank borrowings amounted to approximately RMB2.6 billion as at 31 August 2021, out of which RMB2.5 billion will be due for repayment within 12 months from 31 August 2021; while its cash and cash equivalents amounted to approximately RMB739.5 million as at 31 August 2021. These conditions, together with other matters described in Note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern.

In view of such circumstances, the management of the Company have undertaken and will take a number of plans and measures to improve the Group's liquidity and financial position, including: (1) considering to discuss with banks to waive the breached loan covenant in the current loan facilities agreement with principal amount of approximately SGD204.6 million (equivalent to approximately RMB984.4 million); (2) negotiating a new bank loan of SGD300 million (equivalent to approximately RMB1.4 billion) to replace the existing loan with loan covenants that have been breached; (3) in discussions with local government departments to comply with the Implementation Regulations; and (4) adjusting the strategy to focus on development of high schools and overseas schools which are not affected by the Implementation Regulations. The Directors consider that the Group can continue as a going concern based on the assumption that (1) the above financing plans can be successfully completed; (2) no further rules and interpretation from the government will adversely affect the continuing operations; and (3) the Covid-19 situation in the PRC and Southern Asia will be continuously improved.

The Directors are of the view that the Group will have sufficient cash resources to satisfy future working capital and other financing requirements as and when they fall due in the next 12 months from the date of approval of the consolidated financial statements for the year ended 31 August 2021 after taking into consideration of measures and the assumptions set out above. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements for the year ended 31 August 2021 on a going concern basis.

Further discussion on the uncertainties of the Group's going concern has been set out in the sections headed "Report of the Directors – Auditor's disclaimer of opinion for the year ended 31 August 2021", "Independent Auditor's Report – Disclaimer of opinion", "Independent Auditor's Report – Basis for disclaimer of opinion" and "Notes to the Consolidated Financial Statements – 2. Basis of preparation of consolidated financial statements – Going concern assessment".

## CORPORATE GOVERNANCE REPORT

## AUDITORS' REMUNERATION

The Company appointed Deloitte Touche Tohmatsu as the external auditors for the year ended 31 August 2021. During the year ended 31 August 2021, the total fees paid/payable, excluding disbursements, in respect of audit and non-audit services provided by the Group's external auditors are set out below:

Items of auditors' services	Amount RMB'000
<b>Audit service:</b>	
Annual audit service	3,150
<b>Non-audit services:</b>	
ESG consultation service	105
Tax advisory service	18
Transfer pricing service	100
Review on continuing connected transactions	100
Issuing comfort letter for the Company's issuance of Convertible Bonds	600
<b>Total</b>	<b>4,073</b>

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board highly values and has the overall responsibility for establishing and maintaining adequate and effective risk management and internal control systems of the Group to safeguard the Group's assets and stakeholders' interests, and reviewing their effectiveness annually. The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Management has the responsibility to carry out the decisions of the Board of Directors in the design, implementation and monitoring of the risk management and internal control systems of the Group.

The Group's risk management and internal control systems include a management structure with defined lines of responsibility and limits of authority. These systems only aim to provide reasonable, but not absolute, assurance that assets are safeguarded against misappropriations or loss, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The systems are designed to identify, evaluate and manage risks effectively rather than to eliminate the risk of failure to achieve business objectives.

The Group has established a risk management framework in providing direction in identifying, evaluating and managing significant risks. Risks that would adversely affect the achievement of the Group's objectives are identified and assessed and prioritised according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks which are considered to be significant.



## CORPORATE GOVERNANCE REPORT

The Board assesses the effectiveness of the risk management and internal control systems through the reviews performed by the Audit Committee, executive management, internal audit department and external auditors. During the year ended 31 August 2021, the Audit Committee reviewed the report from internal audit department for the effectiveness of the Group's risk management and internal control systems, inter alia, the financial, operational and compliance control functions of the Group. Management confirmed that they have performed their duties to maintain effective risk management and internal control systems, and have ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial report functions. The Board has received a confirmation from the management on the effectiveness of the Company's risk management and internal control systems. The Board considered that the risk management and internal control systems are effective and adequate and is committed to improve the Group's risk management and internal control systems on an ongoing basis.

The Group complies with requirements of the SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements is not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

### COMPANY SECRETARY

Ms. Wan Mun Yee, Sabine ("**Ms. Wan**") of Tricor Services Limited, an external service provider, has been engaged by the Company as its company secretary since 27 August 2018. Ms. Jen Shu Ling ("**Ms. Jen**"), financial manager of the Company in Hong Kong office and assistant to CFO in head office was the primary contact person between the Company and Ms. Wan during her tenure.

On 28 April 2021, Ms. Wan resigned as company secretary upon the expiry of the service contract between Tricor and the Company and Ms. Jen was appointed as company secretary of the Company and the Authorized Representative of the Company for the purpose of Rule 3.05 of the Listing Rules. Ms. Jen fulfills the requirement of Rule 3.28 of the Listing Rules and details of her professional qualifications are set out in the section headed "Directors and Senior Management" in this report.

Ms. Jen undertook no less than 15 hours of relevant professional training during the year ended 31 August 2021.

### SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

## CORPORATE GOVERNANCE REPORT

### Convening an Extraordinary General Meeting (“EGM”) and Putting Forward Proposals at EGM

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM.

General meetings shall also be convened on the written requisition of any two or more members deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists hold as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

The requisition must state clearly the name of the requisitionists, their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM and signed by the requisitionists.

### Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

### Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 1302, 13/F., Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong  
Investor Relations Department  
Fax: (852) 3565 5967  
Email: ir@mapleleaf.net.cn

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business, performance and strategies. The Company endeavors to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The chairman of the Board, the chairmen of Audit Committee, Remuneration Committee and N&CGC, or, in their absence, other members of the respective committees, will make themselves available at the annual general meetings to meet Shareholders and answer their enquiries.

The Company has not made any changes to its Articles of Association during the year ended 31 August 2021. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

# INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS OF  
CHINA MAPLE LEAF EDUCATIONAL SYSTEMS LIMITED**  
*(incorporated in the Cayman Islands with limited liability)*

## DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Maple Leaf Educational Systems Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”), which comprise the consolidated statement of financial position as at 31 August 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to form an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR DISCLAIMER OF OPINION

As described in Note 2 (section “**Going concern assessment**”) to the consolidated financial statements, the Group incurred net losses from continuing operations and discontinued operations of approximately RMB671,919,000 and RMB2,451,711,000, respectively, during the year ended 31 August 2021 and, as at that date, the Group had net current liabilities of approximately RMB600,751,000. The Group’s total secured bank borrowings amounted to approximately RMB2,628,583,000 as at 31 August 2021, out of which RMB2,547,183,000 will be due for repayment within twelve months from 31 August 2021; while its cash and cash equivalents amounted to approximately RMB739,477,000 as at 31 August 2021. These conditions, together with other matters described in Note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern.

The directors of the Company have undertaken a number of plans and measures to improve the Group’s liquidity and financial position, as set out in Note 2 (section “**Going concern assessment**”) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties including (i) whether the breached loan covenants can be waived in the current facility agreement; (ii) whether a new bank loan of approximately RMB1,442,000,000 can be obtained as soon as practicable to replace the existing loan with loan covenants that have been breached; (iii) the future development and interpretation of the implementation regulations of the People’s Republic of China regarding the promotion of private education and (iv) the COVID situation.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, where applicable. The effect of these adjustments has not been reflected in the consolidated financial statements.

Given the execution of the plans and measures by the Group involving multiple uncertainties and the possible cumulative effect thereof, we disclaim our opinion in respect of the year ended 31 August 2021.

## INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS OF  
CHINA MAPLE LEAF EDUCATIONAL SYSTEMS LIMITED**

### **RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our responsibility is to conduct an audit of the Group’s consolidated financial statements in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board, and to issue an auditor’s report in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to form an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in the independent auditor’s report is Chung Chin Cheung.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

13 December 2021





# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 August 2021

	NOTES	2021 RMB'000	2020 RMB'000 Restated (Note 11)
<b>Continuing operations</b>			
Revenue	6	941,015	385,882
Cost of revenue		(525,265)	(228,405)
Gross profit		415,750	157,477
Investment and other income	8	76,010	47,950
Other gains and losses	9	(736,628)	7,243
Impairment losses under expected credit loss model, net of reversal		1,765	–
Marketing expenses		(15,716)	(10,436)
Administrative expenses		(250,725)	(132,724)
Finance costs		(116,271)	(12,513)
(Loss) profit before taxation		(625,815)	56,997
Taxation	10	(46,104)	(13,572)
(Loss) profit for the year from continuing operations		(671,919)	43,425
<b>Discontinued operations</b>			
(Loss) profit for the year from discontinued operations	11	(2,451,711)	465,654
(Loss) profit for the year	12	(3,123,630)	509,079
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on the translation of foreign operations		(31,326)	2,126
Total comprehensive (expense) income for the year		(3,154,956)	511,205
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		(671,919)	43,425
– from discontinued operations		(2,455,712)	461,853
(Loss) profit for the year attributable to owners of the Company		(3,127,631)	505,278
Profit for the year attributable to non-controlling interests			
– from continuing operations		–	–
– from discontinued operations		4,001	3,801
Profit for the year attributable to non-controlling interests		4,001	3,801
		(3,123,630)	509,079

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 August 2021

	NOTES	2021 RMB'000	2020 RMB'000 Restated (Note 11)
<hr/>			
Total comprehensive (expense) income attributable to:			
Owners of the Company		(3,158,957)	507,404
Non-controlling interests		4,001	3,801
		<b>(3,154,956)</b>	511,205
<hr/>			
Total comprehensive (expense) income attributable to owners of the Company:			
– from continuing operations		(703,245)	45,551
– from discontinued operations		(2,455,712)	461,853
		<b>(3,158,957)</b>	507,404
<hr/>			
<b>(LOSS) EARNINGS PER SHARE</b>			
From continuing and discontinued operations			
Basic (RMB cents)	15	(105.27)	17.01
Diluted (RMB cents)	15	(105.27)	17.01
<hr/>			
From continuing operations			
Basic (RMB cents)	15	(22.62)	1.46
Diluted (RMB cents)	15	(22.62)	1.46
<hr/>			



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 August 2021

	NOTES	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
<b>Non-current Assets</b>			
Property, plant and equipment	16	2,002,303	3,842,542
Right-of-use assets	17	84,738	503,975
Investment properties	19	328,876	348,741
Goodwill	20	1,896,803	2,449,342
Other intangible assets	21	863,515	1,004,663
Prepayments for acquisition of property and equipment		3,477	8,996
Books for lease		388	1,350
Pledged bank deposits	23	–	132,000
		<b>5,180,100</b>	<b>8,291,609</b>
<b>Current Assets</b>			
Inventories		16,896	18,487
Deposits, prepayments, trade and other receivables	24	91,567	174,088
Financial assets at fair value through profit or loss	25	8,274	12,905
Pledged bank deposits	23	1,548,151	1,412,668
Restricted cash	26	–	48,566
Bank balances and cash	27	739,477	1,310,907
Amount due from related parties	44	296,757	–
		<b>2,701,122</b>	<b>2,977,621</b>
<b>Current Liabilities</b>			
Contract liabilities	28	441,673	1,506,002
Other payables and accrued expenses	29	208,158	628,088
Lease liabilities	30	9,388	30,641
Income tax payable		89,418	116,300
Borrowings	31	2,547,183	2,303,062
Amount due to related parties	44	6,053	–
		<b>3,301,873</b>	<b>4,584,093</b>
<b>Net Current Liabilities</b>		<b>(600,751)</b>	<b>(1,606,472)</b>
<b>Total Assets Less Current Liabilities</b>		<b>4,579,349</b>	<b>6,685,137</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 August 2021

	NOTES	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
<b>Capital and Reserves</b>			
Share capital	34	9,309	9,309
Reserves		1,379,548	4,517,653
Equity attributable to owners of the Company		1,388,857	4,526,962
Non-controlling interests	37	–	96,673
Total Equity		1,388,857	4,623,635
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	32	255,820	333,592
Borrowings	31	81,400	1,327,504
Lease liabilities	30	9,430	170,335
Convertible bonds	33	753,665	–
Consideration payable		204,005	203,225
Contingent consideration		24,178	26,846
Amount due to related parties	44	1,861,994	–
		3,190,492	2,061,502
		4,579,349	6,685,137

The consolidated financial statements on pages 80 to 168 were approved and authorised for issue by the Board of Directors on 13 December 2021 and are signed on its behalf by:

\_\_\_\_\_  
Shu Liang Sherman Jen

\_\_\_\_\_  
Jingxia Zhang



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 August 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Shares held for restricted share award scheme RMB'000 (Note a)	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note b)	Share-based payment reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 September 2019	9,309	1,162,552	(1,540)	(23,855)	13,463	251,717	31,106	2,710,151	4,152,903	92,872	4,245,775
Profit for the year	-	-	-	-	-	-	-	505,278	505,278	3,801	509,079
Other comprehensive income for the year	-	-	-	-	2,126	-	-	-	2,126	-	2,126
Total comprehensive income for the year	-	-	-	-	2,126	-	-	505,278	507,404	3,801	511,205
Transfer to statutory surplus reserve	-	-	-	-	-	20,023	-	(20,023)	-	-	-
Share-based payments	-	-	-	-	-	-	16,177	-	16,177	-	16,177
Dividends recognised as distribution (Note 14)	-	(150,656)	-	-	-	-	-	-	(150,656)	-	(150,656)
Dividends distributed to the restricted share award scheme	-	1,134	-	-	-	-	-	-	1,134	-	1,134
Shares vested under restricted share award scheme	-	-	-	1,575	-	-	(1,908)	333	-	-	-
At 31 August 2020	9,309	1,013,030	(1,540)	(22,280)	15,589	271,740	45,375	3,195,739	4,526,962	96,673	4,623,635
(Loss) profit for the year	-	-	-	-	-	-	-	(3,127,631)	(3,127,631)	4,001	(3,123,630)
Other comprehensive expense for the year	-	-	-	-	(31,326)	-	-	-	(31,326)	-	(31,326)
Total comprehensive (expense) income for the year	-	-	-	-	(31,326)	-	-	(3,127,631)	(3,158,957)	4,001	(3,154,956)
Transfer to statutory surplus reserve	-	-	-	-	-	17,605	-	(17,605)	-	-	-
Share-based payments	-	-	-	-	-	-	8,570	-	8,570	-	8,570
Acquisition of additional interest in a subsidiary (Note c)	-	-	12,282	-	-	-	-	-	12,282	(12,282)	-
Deconsolidation of Affected Schools (Note 2)	-	-	-	-	-	(104,868)	-	104,868	-	(88,392)	(88,392)
At 31 August 2021	9,309	1,013,030	10,742	(22,280)	(15,737)	184,477	53,945	155,371	1,388,857	-	1,388,857

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 August 2021

*Note a: Shares held for restricted share award scheme is comprised of shares purchased from open market that are to be used for the share award scheme approved by the directors of the Company (the “**Directors**”) on 10 November 2014 (the “**Share Award Scheme**”).*

*Note b: Pursuant to the relevant laws in the People’s Republic of China (the “**PRC**”), the Company’s subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of the directors of the relevant PRC subsidiaries. These reserves include (i) general reserve of the limited liabilities companies and (ii) the development fund of schools:*

- (i) In accordance with relevant PRC regulations, for PRC subsidiaries with limited liability, it is required to make annual appropriations to statutory surplus reserve of 10% of after-tax profits as determined in accordance with PRC accounting standards for each calendar year until the balance reaches 50% of the relevant PRC entity’s registered capital.*
- (ii) According to the relevant PRC laws and regulations, for private school that does not require reasonable return, it is required to appropriate to development fund of not less than 25% of the annual increase of net assets of the relevant school as determined in accordance with PRC accounting standards in the PRC. The development fund shall be used for construction or maintenance of the school or procurement or upgrading of educational equipment.*
- (iii) Upon deconsolidated of the Affected Schools (Note 2), related statutory surplus reserve of RMB104,868,000 were reversed.*

*Note c: During the current year, a non-controlling interest shareholder of a subsidiary of the Group settled its amount due to the subsidiary in exchange of its equity interest in the subsidiary. This transaction is recorded as an equity transaction with the difference of the amount settled and the book value of additional equity interest obtained by the Company recorded as other reserve.*



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 August 2021

	2021 RMB'000	2020 RMB'000 Restated (Note 11)
<b>OPERATING ACTIVITIES</b>		
(Loss) profit before taxation	<b>(625,815)</b>	56,997
Adjustments for:		
Amortisation of books for lease	<b>497</b>	578
Amortisation of intangible assets	<b>65,366</b>	3,943
Depreciation of investment properties	<b>3,545</b>	4,093
Depreciation of property, plant and equipment	<b>79,854</b>	26,219
Depreciation of right-of-use assets	<b>11,605</b>	5,548
Interest expenses	<b>116,271</b>	12,513
Share-based payments	<b>8,570</b>	16,177
Loss on disposal of property, plant and equipment	<b>1,759</b>	–
Net foreign exchange loss (gain)	<b>450</b>	(1,496)
Gain arising from fair value changes of contingent consideration	<b>(1,420)</b>	–
Gain arising from fair value changes of convertible bonds	<b>(52,737)</b>	–
Interest income	<b>(42,180)</b>	(21,355)
Impairment loss, net of reversal		
– goodwill	<b>199,215</b>	–
– other intangible assets	<b>2,416</b>	–
– property, plant and equipment	<b>545,230</b>	7,339
– right-of-use assets	<b>46,798</b>	–
– financial assets and other items under expected credit loss model	<b>(1,765)</b>	–
Dividend income from financial assets at fair value through profit or loss	<b>(541)</b>	(511)
Gain on fair value changes of financial assets at fair value through profit or loss	<b>(111)</b>	(8,093)
Operating cash flows before movements in working capital	<b>357,007</b>	101,952
Decrease in contract liabilities	<b>(19,564)</b>	(51,839)
Decrease in deposits, prepayments, trade and other receivables	<b>3,707</b>	26,741
Decrease (increase) in inventories	<b>1,591</b>	(2,668)
(Decrease) increase in amount due to/from related parties	<b>31,328</b>	1,080,845
(Decrease) increase in other payables and accrued expenses	<b>(27,349)</b>	18,926
Cash generated from continuing operations	<b>346,720</b>	1,173,957
Income tax paid	<b>(56,787)</b>	(33,180)
Interest received	<b>38,012</b>	11,844
	<b>327,945</b>	1,152,621
Cash generated from (used in) discontinued operations	<b>473,618</b>	(526,803)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>801,563</b>	625,818

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 August 2021

	2021 RMB'000	2020 RMB'000 Restated (Note 11)
<b>INVESTING ACTIVITIES</b>		
Withdrawal of restricted cash	48,566	1,881
Settlement of acquisition consideration adjustments	45,375	–
Proceeds from disposal of property, plant and equipment	9,718	47
Proceeds from disposal of financial assets at fair value through profit or loss	4,204	2,402,282
Dividends received from financial assets at fair value through profit or loss	541	511
Purchase of property, plant and equipment	(122,252)	(179,650)
Purchase of financial assets at fair value through profit or loss	–	(2,319,772)
Settlement of acquisition consideration	(50,778)	(3,492,597)
Purchase of books for lease	(355)	(218)
Purchase of investment property	–	(10,427)
	<b>(64,981)</b>	<b>(3,597,943)</b>
Cash and cash equivalent of the Affected Schools deconsolidated	<b>(1,065,375)</b>	–
Cash used in discontinued operations	<b>(66,788)</b>	(85,926)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,197,144)</b>	<b>(3,683,869)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds on issue of convertible bonds	808,551	–
Repayments of borrowings	(858,602)	(3,259)
Interest paid	(78,165)	(10,194)
Repayments of lease liabilities	(9,021)	(3,928)
Payment of convertible bonds issuance costs	(8,138)	–
New borrowings raised	–	3,212,618
Placement of pledged bank deposits	–	(1,412,668)
Dividends paid	–	(149,522)
	<b>(145,375)</b>	<b>1,633,047</b>
Cash used in discontinued operations	<b>(19,978)</b>	(16,300)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(165,353)</b>	<b>1,616,747</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(560,934)</b>	<b>(1,441,304)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 SEPTEMBER</b>	<b>1,310,907</b>	<b>2,762,328</b>
Effect of foreign exchange rate changes	<b>(10,496)</b>	(10,117)
<b>CASH AND CASH EQUIVALENTS AT 31 AUGUST REPRESENTED BY BANK BALANCES AND CASH</b>	<b>739,477</b>	<b>1,310,907</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

## 1. GENERAL INFORMATION

China Maple Leaf Educational Systems Limited (the “**Company**” together with its subsidiaries collectively referred to as the “**Group**”) was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law Chapter 22 of the Cayman Islands on 5 June 2007. Its shares are listed on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its parent is Sherman Investment Holdings Limited incorporated in the British Virgin Islands (“**BVI**”) and its ultimate controlling party is Mr. Shu Liang Sherman Jen, who is also the Chairman of the board and Chief Executive Officer of the Company. The address of the registered office of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, the Grand Cayman, KY1-1104, Cayman Islands and the address of principal place of business of the Company is No.76, Baohe Avenue, Baolong Community, Baolong Street, Longgang District, Shenzhen, Guangdong Province 518116, the People’s Republic of China (“**PRC**”).

The Group operates a network of bilingual private schools and preschools in the PRC under the “Maple Leaf” brand and in the Southeast Asia under the brand “Canadian International School” and “Kingsley International School”, focusing on high schools that offer dual-diploma curriculum (British Columbia curriculum and Chinese curriculum) and bilingual education mainly within the PRC and Southeast Asia.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

### Contractual Arrangements

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a substantial portion of the business through Dalian Maple Leaf Educational Group Co., Ltd (“**Dalian Educational Group**”), Shenzhen Maple Leaf Educational Group Co., Ltd (“**Shenzhen Educational Group**”), Dalian Maple Leaf Foreign National School (“**Dalian Foreign School**”) and Wuhan Maple Leaf Foreign National School (“**Wuhan Foreign School**”) (collectively referred to as “**Consolidated Affiliated Entities**”) in the PRC. The wholly-owned subsidiaries, Dalian Beipeng Educational Software Development Inc. (“**Dalian Beipeng Software**”), Shenzhen Beipeng Educational Software Development Inc. (“**Shenzhen Beipeng Software**”) (collectively referred to as “**Beipeng Software**”), have entered into the contractual arrangements (the “**Contractual Arrangements**”) with the Consolidated Affiliated Entities and their respective equity holders, which enable Beipeng Software and the Group to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity holders’ voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Beipeng Software;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Beipeng Software may exercise such options at any time until it has acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Beipeng Software; and obtain a pledge over the entire equity interest of Dalian Educational Group and Shenzhen Educational Group from their equity holders as collateral security for all of Dalian Educational Group and Shenzhen Educational Group’s payments due to Beipeng Software and to secure performance of Dalian Educational Group, Shenzhen Educational Group and their respective subsidiaries obligations under the Contractual Arrangements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### Contractual Arrangements (Continued)

There are no pledge agreements for Dalian Foreign School and Wuhan Foreign School due to the PRC law restriction. To further enhance the Company's security over Dalian Foreign School and Wuhan Foreign School, the Company segregated the duties of different people and functions to ensure that the company seals of Dalian Foreign School and Wuhan Foreign School are properly secured, are within the full control of the Company and cannot be used without its permission.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the assets and liabilities and income and expenses of the Consolidated Affiliated Entities (other than the Affected Schools, see below) in the consolidated financial statements of the Group.

#### Recently issued implementation regulations of the PRC for the law for promoting of private education (the "Implementation Regulations")

During the year ended 31 August 2021, the PRC State Council announced the issuance of the Implementation Regulations, which became effective on 1 September 2021. The key provisions of the Implementation Regulations include, but not limited to: (1) prohibiting foreign investors from controlling private schools that provides compulsory education (which includes the six years primary school education and the three years middle school education provided to PRC residents) and not-for-profit schools that provides pre-school education (the "**Affected Schools**") by means of merger, acquisition and contractual arrangements, and (2) prohibiting private schools providing compulsory education from conducting transactions with the related parties. Therefore, the Contractual Arrangements with the Affected Schools is considered not enforceable upon the effective of the Implementation Regulations. Based on its reassessment of the Contractual Arrangements and the profound implication of the Implementation Regulations, the Directors considered that, the Group's ability to use its power from the Contractual Arrangements to direct the relevant activities of and its ability to affect its variable returns from the Affected Schools had ceased by 31 August 2021 immediately before the Implementation Regulations became effective. By the end of 31 August 2021, it was no longer practicable for the Group to make relevant decision to obtain significant variable returns from the Affected Schools. Consequently the Group lost control over the Affected Schools on 31 August 2021 immediately before the Implementation Regulations became effective, and deconsolidated the Affected Schools as at 31 August 2021.

#### Going concern assessment

During the year ended 31 August 2021, the Group incurred net losses from continuing operations and discontinued operations of approximately RMB671,919,000 and RMB2,451,711,000 respectively, and, as at that date, the Group had net current liabilities of approximately RMB600,751,000. The Group's total secured bank borrowings amounted to approximately RMB2,628,583,000 as at 31 August 2021, out of which RMB2,547,183,000 will be due for repayment within twelve months from 31 August 2021; while its cash and cash equivalents amounted to approximately RMB739,477,000 as at 31 August 2021.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### Going concern assessment (Continued)

The above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, the Directors of the Company have undertaken a number of plans and measures to improve the Group's liquidity and financial position, including: (1) consider to discuss with banks to waive the breached loan covenant in the current loan facilities agreement with a principal amount of SGD204,648,000 (equivalent to RMB984,375,000) (Note 31); (2) negotiating a new bank loan of SGD300,000,000 (equivalent to RMB1,442,000,000) (the "New Loan") to replace the existing loan with loan covenants that have been breached; (3) in discussions with local government departments to comply with the Implementation Regulations and (4) adjusting the strategy to focus on development of high schools and overseas schools which are not affected by the Implementation Regulations. The Directors of the Company consider that the Group can continue as a going concern based on the assumptions that (1) the above financing plans can be successfully completed; (2) no further rules and interpretation from the government will adversely affect the continuing operations and (3) the COVID situation in the PRC and Southern Asia will be continuously improved.

Notwithstanding the above, at the date of approving these consolidated financial statements, the waiver of the breached loan covenants in the current loan facilities agreement has not been agreed and the new loan agreement has not been signed. In addition, there are other uncertainties on the outcome of these financing plans, the future development of rules and regulations and COVID situation. Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, where applicable. The effect of these adjustments has not been reflected in the consolidated financial statements.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

### 3. ADOPTION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

#### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 September 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 3. ADOPTION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

#### Amendments to IFRSs that are mandatorily effective for the current year (Continued)

##### 3.1 Impacts on application of Amendments to IFRS 3 “Definition of a Business”

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

#### New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>4</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to IFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 3. ADOPTION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

#### New and amendments to IFRSs in issue but not yet effective (Continued)

##### Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying IFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRSs requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16;
- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity’s progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 August 2021, the Group has several Swap Offer Rate (“SOR”) bank loans which will be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 3. ADOPTION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

#### New and amendments to IFRSs in issue but not yet effective (Continued)

##### Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- Specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- Clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

As at 31 August 2021, the Group’s convertible bonds include counterparty conversion options that do not meet equity instruments classification by applying IAS 32 Financial Instruments: Presentation. The Group classified as current or non-current based on the earliest date in which the Group has the obligation to redeem these instruments through cash settlement. The convertible bonds were designated as at fair value through profit or loss (“**FVTPL**”) with carrying amount of RMB753,665,000 as at 31 August 2021 and is classified as non-current as set out in Note 33. Upon the application of the amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitute settlement of the convertible bonds. Given that the convertible options are exercisable on or after 9 March 2021, the convertible bonds designated as at FVTPL would be reclassified to current liabilities as the holders have the option to convert within twelve months.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.1 Basis of preparation of consolidated financial statements (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for asset or liability.

#### 4.2 Significant accounting policies

##### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including the Consolidated Affiliated Entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- (i) has power over the investee;
- (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and
- (iii) has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### **Lose control of subsidiaries**

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

##### **Discontinued operations**

A discontinued operation is a component of an entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss for the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operations. The net cash flows attributable to the operating, investing and financing activities of discontinued operations are presented separately in the consolidated statement of cash flows.

##### **Business combinations**

###### *Optional concentration test*

Effective from 1 September 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### **Business combinations (Continued)**

###### *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- (i) deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;
- (ii) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace "share-based payment" arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below); and
- (iii) lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### **Business combinations (Continued)**

###### *Business combinations (Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain and loss being recognised in profit or loss.

##### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### **Goodwill (Continued)**

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

##### **Revenue from contracts with customers**

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### Revenue from contracts with customers (Continued)

*Contracts with multiple performance obligations (including allocation of transaction price)*

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

*Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

The progress towards complete satisfaction of a performance obligation in tuition and boarding services are measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

##### Leasing

*Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

*The Group as a lessee*

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of computer equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### Leasing (Continued)

*The Group as a lessee (Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities, other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### Leasing (Continued)

*The Group as a lessee (Continued)*

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### **Covid-19-related rent concessions**

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021/2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

##### *The Group as a lessor*

##### Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

##### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

##### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Such grants are presented under "other income".

##### **Employee benefits**

###### *Retirement benefit costs*

Payments to defined contribution retirement benefit plans are recognised as expenses when employees have rendered services entitling them to the contributions.

###### *Short-term employee benefits*

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employee rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires to permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leaves and sick leave) after deducting any amount already paid.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### Share-based payments

*Equity-settled share-based payments transactions*

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. For equity-settled share-based payments that vest immediately at the date of grant, the fair value of the equity-settled share-based payments granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When restricted shares are vested, the amount previously recognised in share-based payment reserve will be transferred to shares held for restricted share award scheme, with any difference recognised to retained profits.

##### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### **Property, plant and equipment**

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried out at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

##### **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### **Intangible assets**

##### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

##### **Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill**

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flow are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets (or a cash-generating unit) for which the estimated of future cash flows have not been adjusted.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### **Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (Continued)**

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the assets (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimated of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

##### **Books for lease**

Books for lease are stated in the consolidated statement of financial position at cost less subsequent accumulated amortisation and subsequent accumulated impairment losses, if any. Amortisation is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the books' economic life.

##### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted-average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

##### **Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liabilities and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

##### *Financial assets*

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset that the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### Financial instruments (Continued)

###### *Financial assets (Continued)*

Classification and subsequent measurement of financial assets (Continued)

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

- (i) Amortised cost and interest income  
Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.
- (ii) Financial assets at FVTPL  
Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL including investment in listed equity securities and wealth management products which are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Investment and other income" line item in profit or loss.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### Financial instruments (Continued)

###### *Financial assets (Continued)*

###### Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including deposits, trade and other receivables, pledged bank deposits, restricted cash and bank balances and cash) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance for deposits, other receivables, pledged bank deposits, restricted cash and bank balances and cash equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward – looking information that is available without undue cost or effort.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### Financial instruments (Continued)

###### *Financial assets (Continued)*

###### Impairment of financial assets (Continued)

###### (i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

###### (ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### Financial instruments (Continued)

##### *Financial assets (Continued)*

##### Impairment of financial assets (Continued)

##### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the counterparty;
- (b) a breach of contract, such as a default or past due event;
- (c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

##### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

##### (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### Financial instruments (Continued)

###### *Financial assets (Continued)*

###### Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

###### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.2 Significant accounting policies (Continued)

##### Financial instruments (Continued)

###### *Financial liabilities and equity instruments*

###### Classification as debt or equity

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

###### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

###### Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

###### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration of an acquirer in a business combination to which IFRS 3 applies.

###### Financial liabilities at amortised cost

Financial liabilities including borrowings and other payables are subsequently measured at amortised cost, using the effective interest method.

###### Convertible bonds

Convertible bonds issued by the Company can be converted into the share capital of the Company at the option of the investor.

The Group designates convertible bonds denominated in a currency other than the functional currency of the Company as financial liabilities designated as at fair value through profit or loss ("FVTPL"). The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, and the remaining amount of change in the fair value of convertible bonds is recognised in profit or loss unless the recognition of the effects of changes in the credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to the convertible bonds' credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the convertible bonds.

###### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical accounting judgment

The following is the critical accounting judgment, apart from those involving estimations, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The Directors assessed whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has the power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the Directors concluded that the Group has control over the Consolidated Affiliated Entities other than the Affected Schools (Note 2) as a result of the Contractual Arrangements and other measures and accordingly, the Group has consolidated the financial information of the Consolidated Affiliated Entities in the consolidated financial statements other than the Affected Schools (Note 2).

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities other than the Affected Schools and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities other than the Affected Schools. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements among Beipeng Software, the Consolidated Affiliated Entities other than the Affected Schools and their equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### Critical accounting judgment (Continued)

##### Contractual Arrangements (Continued)

With regard to the Affected Schools (Note 2), the Directors reassessed whether the Group could control the Affected Schools upon the effective of the Implementation Regulations based on analysis and judgement as (1) the Group's power over the Affected Schools; (2) the Group's exposure or rights to variable returns from its involvement with the Affected Schools; and (3) the Group's ability to use its power over the Affected Schools to affect the amount of the Group's returns. In making such judgement, the Directors has considered the requirements of the Implementation Regulations and legal opinion from its legal advisor. Based on the legal opinion, whether general grandfather rule could apply to the Contractual Arrangements established prior to the effective of the Implementation Regulations was not specially addressed in the Implementation Regulation which may subject to further interpretation of relevant government authorities, as such, the legal advisor could not conclude that the current Contractual Arrangement between the Group and the Affected Schools are legally binding and legally enforceable upon the effective of the Implementation Regulations. Consequently, the Directors considers that by the end of 31 August 2021, it was no longer practicable for the Group to make and enforce relevant decision for its own benefit as principal in accordance with the Contractual Arrangement to direct the relevant activities to affect and obtain the variable return from the Affected Schools and the Group lost control over the Affected Schools on 31 August 2021 immediately before the Implementation Regulations became effective, and deconsolidated the Affected Schools as of 31 August 2021.

#### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### (a) Impairment of property, plant and equipment, right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group's management has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group's management estimates the recoverable amount of the cash generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 August 2021, the carrying amounts of property, plant and equipment and right-of-use assets subject to impairment assessment were RMB2,002,303,000 and RMB84,738,000 (2020: RMB3,842,542,000 and RMB503,975,000) respectively, after taking into account the impairment losses of RMB545,230,000 and RMB46,798,000 (2020: RMB7,339,000 and nil) in respect of property, plant and equipment and right-of-use assets, that have been recognised respectively. Details of the impairment of right-of-use assets, property, plant and equipment are disclosed in Note 18.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### Key sources of estimation uncertainty (Continued)

##### (b) Goodwill and trademark impairment

Determining whether goodwill and trademark is impaired requires an estimation of the value in use of the cash-generating unit ("CGU") to which goodwill and trademark has been allocated. Significant judgment and assumptions were required by the management of the Group in assessing the impairment recoverable amounts of cash generating units. The recoverable amounts are determined with reference to the value in use of the relevant cash generating units, which required significant assumptions on discount rates, growth rates of students and tuition fee during the forecasting period in order to derive the net present value of the discounted future cash flow analysis. Where the actual future cash are less than expected, or change in facts and circumstances which results in downward revision of future cash flow or upward revision of discount rate, there will be a change of recoverable amount, and further impairment loss may arise. Furthermore, the estimated cash flows and discount rates are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets.

The carrying amount of goodwill and trademark at the end of the reporting period was approximately RMB1,896,803,000 and RMB557,039,000 (2020: RMB2,449,342,000 and RMB587,629,000) (net of accumulated impairment loss of RMB199,215,000 and RMB2,416,000 (2020: nil and nil)). Details of the impairment loss assessment are set out in Note 22.

##### (c) Fair value measurement of convertible bonds

As at 31 August 2021, the Group's convertible bonds amounting to RMB753,665,000 (2020: nil) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers these valuations are the best estimates, the ongoing Covid-19 pandemic and the implication of the Implementation Regulations may cause disruptions to the Group's businesses, which have led to higher degree of estimation uncertainties and volatility of inputs used in respect of the valuations in the current year. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 33 and Note 39(c) for further disclosures.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 6. REVENUE

Revenue represents (i) service income from tuition fees and boarding fees, (ii) fees from summer and winter camps provided to students, (iii) fees from selling educational books to students, and (iv) fees from overseas studies consulting services, sales of goods and educational materials to students, less refunds and sales related tax.

The revenues from continuing operations attributable to the Group's service lines are as follows:

#### (i) Disaggregation of revenue from contracts with customers from continuing operations

	2021 RMB'000	2020 RMB'000 (Restated)
<b>Types of goods or services</b>		
Tuition and boarding fees	830,346	292,696
Summer and winter camps	974	3,370
Sales of textbooks	10,669	10,687
Others	99,026	79,129
	<b>941,015</b>	<b>385,882</b>
<b>Timing of revenue recognition</b>		
Over time	855,514	318,922
A point in time	85,501	66,960
	<b>941,015</b>	<b>385,882</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 6. REVENUE (Continued)

#### (ii) Performance obligations for contracts with customers

##### **Tuition and boarding fees (revenue recognised over time)**

For tuition and boarding services, the Group provides classroom education services and boarding services through the Group's high schools, middle schools, elementary schools, preschools and foreign schools to customers (individual students) during the service period for a fixed fee. These services are mainly paid in advance prior to the beginning of each school year. The service period for tuition and boarding services is the related school year. A contract liability is recognised for fee received whereas revenue has yet been recognised.

The Directors have determined that the performance obligation of providing tuition and boarding services is satisfied over time as customers simultaneously receive and consume the benefits of these services throughout the service period.

##### **Revenue from summer and winter camps (revenue recognised over time)**

Other education related services include summer and winter camps and educational vacation activities provided to students for a fixed fee. These services are mainly paid in advance prior to the service is provided. The service period for other education related services is the duration of the summer and winter camps or educational vacation activities. A contract liability is recognised for fee received whereas revenue has yet been recognised.

The Directors have determined that the performance obligation of other education related services is satisfied over time as customers simultaneously receive and consume the benefits of these services throughout the service period.

##### **Sales of textbooks (revenue recognised at a point in time)**

The Group sells textbooks and other educational materials to students which are purchased from third parties. The Group recognises revenue from sales of textbooks and educational materials at a point in time when the control of textbooks and educational materials are passed to students. The Group considers that it is acting as the principal in the transaction as the Group controls the specific goods before it is transferred to the customer after taking into considerations indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods to its customers and has the inventory risk. Therefore, the Group recognises revenue from sales of textbooks and educational materials on a gross basis.

##### **Others (including revenue recognised overtime and at a point in time)**

Others represent revenue from management fee received from school canteens operated by third party service providers, fees from overseas studies consulting service and sales of goods and educational materials, which individually are not material. For management fee received, the Group recognises revenue over time through the duration of the service period; and for fees from overseas studies consulting service, sales of goods and other educational materials, the Group recognises revenue at a point in time when the control of the goods and services are passed to students.

#### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 August 2021 is expected to be recognised within one year amounted to RMB441,673,000 (2020: RMB1,506,002,000). As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 7. OPERATING SEGMENTS

Information reported to the Group's Chief Executive Officer, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Following the acquisition of Star Readers Pte. Ltd. in Singapore on 26 August 2020, the Group's international school education business in overseas starts to contribute significant portion of revenue and profits. Starting from this current year, discrete segment information is developed and reported to the CODM. Specifically, the Group's reportable segments under IFRS 8 are as follows:

- (i) PRC Segment
- (ii) Overseas Segment

The Group is mainly engaged in international school education in the PRC and Southeast Asia. The CODM reviews revenue analysis by services lines when making decisions about allocating resources and assessing performance of the Group.

As disclosed in Note 2, the Group has deconsolidated the Affected Schools on 31 August 2021 which were part of the PRC Segment and presented the Affected Schools as discontinued operations separately in the consolidate statement of profit or loss and other comprehensive income. The segment information below excludes amounts of discontinued operations (Note 11). The corresponding information for the year ended 31 August 2020 was re-presented to conform to the current year's presentation. The inter-company transactions were eliminated without any adjustments between the continuing operations and the discontinued operations for both the year ended 31 August 2021 and 2020.

#### Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

##### For the year ended 31 August 2021

##### Continuing operations

	PRC Segment RMB'000	Overseas Segment RMB'000	Total RMB'000
Segment revenue			
External sales	369,546	571,469	941,015
Inter-segment sales	–	–	–
Segment loss	(457,392)	(151,795)	(609,187)
Unallocated items:			
Directors' and chief executives' emoluments			(8,557)
Corporate administrative expense			(8,071)
Group's loss before income tax from continuing operations			(625,815)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 7. OPERATING SEGMENTS (Continued)

#### Segment revenues and results (Continued)

For the year ended 31 August 2020 (Restated)

#### Continuing operations

	PRC Segment RMB'000	Overseas Segment RMB'000	Total RMB'000
Segment revenue			
External sales	349,525	36,357	385,882
Inter-segment sales	–	1,204	1,204
Segment profit (loss)	93,487	(20,468)	73,019
Unallocated items:			
Directors' and chief executives' emoluments			(10,238)
Corporate administrative expense			(5,784)
Group's profit before income tax from continuing operations			56,997

The accounting policies of the operating segments are the same as the Group's accounting policies in Note 4. Segment loss/profit represents the loss from/profit earned by each segment without allocation of corporate administrative expense and directors' and chief executives' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

#### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
Segment assets		
PRC segment	3,746,200	6,441,595
Overseas segment	4,135,022	4,827,635
Consolidated assets	7,881,222	11,269,230
Segment liabilities		
PRC segment	4,454,681	4,401,066
Overseas segment	2,037,684	2,244,529
Consolidated liabilities	6,492,365	6,645,595

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 7. OPERATING SEGMENTS (Continued)

#### Segment assets and liabilities (Continued)

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to operating segments. Assets and liabilities used jointly by operating segments are allocated to the PRC segment as the amount is insignificant.

#### Major customers

No single customer contributed 10% or more of total revenue of the Group for the years ended 31 August 2021 and 2020.

#### Geographical information

The Group primarily operates in the PRC and Southeast Asia. Information about the Group's revenue from continuing operations from external customers and non-current assets is presented based on the location of the assets.

	Revenue from external customers		Non-current assets	
	Year ended			
	at 31 August 2021	at 31 August 2020	at 31 August 2021	at 31 August 2020
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		
PRC	369,546	349,525	997,979	3,566,676
Singapore	523,875	–	3,720,103	4,144,874
Malaysia	38,253	19,190	389,876	503,447
Others	9,341	17,167	72,142	76,612
	941,015	385,882	5,180,100	8,291,609

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 8. INVESTMENT AND OTHER INCOME Continuing operations

	2021 RMB'000	2020 RMB'000 (Restated)
Bank interest income	40,417	20,051
Government grant	19,139	8,563
Rental income from investment properties	12,920	16,669
Interest income from short-term loan to a third party	1,763	1,304
Dividend income from financial assets at FVTPL	541	511
Others	1,230	852
	<b>76,010</b>	47,950

During the current year, the Group recognised government grants of RMB13,157,000 (2020: RMB1,732,000) in respect of Covid-19-related subsidies.

### 9. OTHER GAINS AND LOSSES Continuing operations

	2021 RMB'000	2020 RMB'000 (Restated)
Gain arising from fair value changes of convertible bonds	52,737	–
Reversal of other payables	1,960	4,142
Gain arising from changes in fair value of financial assets measured at FVTPL	111	8,093
Loss on disposal of property, plant and equipment	(1,759)	–
Net foreign exchange gain	450	1,496
Gain arising from fair value changes of contingent consideration	1,420	–
Impairment loss recognised in respect of		
– property, plant and equipment	(545,230)	(7,339)
– goodwill	(199,215)	–
– right-of-use assets (Leasehold land)	(46,798)	–
– other intangible assets	(2,416)	–
Others	2,112	851
	<b>(736,628)</b>	7,243

### 10. TAXATION Continuing operations

	2021 RMB'000	2020 RMB'000 (Restated)
The charge comprises		
Current tax:		
Enterprise income tax ("EIT")	62,118	14,742
Deferred tax (Note 32)	(16,014)	(1,170)
	<b>46,104</b>	13,572

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 10. TAXATION (Continued)

The income tax expense for the year can be reconciled to the (loss) profit before taxation as follows:

	2021 RMB'000	2020 RMB'000 (Restated)
(Loss) profit before taxation	(625,815)	56,997
Tax at PRC EIT rate of 25%	(156,454)	14,249
Tax effect of preferential tax rate granted	(3,589)	(9,562)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	4,235	14,556
Tax effect of tax loss not recognised	13,667	6,432
Tax effect of deductible temporary differences not recognised	198,415	–
Utilisation of tax loss previously not recognised	(5,149)	(173)
Tax effect of income not taxable for tax purposes	(53,507)	(63,987)
Tax effect of expenses not deductible for tax purposes	48,486	52,057
Tax charge for the year	46,104	13,572

The Company was incorporated in the Cayman Islands and Maple Leaf Educational Systems Limited (“**Maple BVI**”) was incorporated in the BVI, both are tax exempted as no business is carried out in the Cayman Islands or the BVI under the tax laws of the Cayman Islands or the BVI, respectively.

No provision for Hong Kong Profits Tax has been made as the Group’s operation in Hong Kong had no assessable profit for the years ended 31 August 2021 and 2020. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Inland Revenue Board, an agency of the Ministry of Finance in Malaysia, is responsible for the administration of direct taxes enacted under the Income Tax Act. The standard corporate tax rate in Malaysia is 24%.

The standard corporate tax rate in Singapore is 17% and Singapore follows a single-tier corporate tax system.

Dalian Beipeng Software is entitled to High and New Technology Enterprise (“**HNTE**”) status starting from the calendar year of 2017. Dalian Beipeng Software is eligible for a preferential enterprise income tax rate of 15% starting from the calendar year of 2017. The HNTE status is valid for three years, and is renewed on 2 December 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 10. TAXATION (Continued)

According to the Implementation Regulations for the Law for Promoting Private Education, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools, subject to review by relevant tax bureaus each year. Dalian Maple Leaf International School (the “**Dalian High School**”) and Wuhan Maple Leaf International School, have been granted enterprise income tax exemption for the tuition income from relevant local tax bureaus.

Taxation arising in other jurisdictions is calculated as the rates prevailing in the relevant jurisdictions.

During the year ended 31 August 2021, non-taxable tuition income was RMB214,028,000 (2020: RMB255,948,000), and the related expense of RMB98,082,000 (2020: RMB111,062,000) was not deductible.

As at 31 August 2021, the Group had unused tax loss of RMB143,099,000 (2020: RMB155,838,000) available for offset against future taxable profits. No deferred tax assets have been recognised in respect of such tax losses due to the unpredictability of future taxable profit streams. As at 31 August 2021, tax losses of RMB133,813,000 (2020: RMB155,838,000) will expire in various years before 2026 (2020: 2025).

Under the EIT law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated undistributed profits of the PRC subsidiaries amounting to RMB1,023,451,000 at 31 August 2021 (2020: RMB1,444,398,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 August 2021, there are uncertain tax items raised in relation to Canadian International School Ptd. Ltd. (“**CIS**”, a wholly owned subsidiary of the Company) in relation to the interpretation of tax legislation regarding the financing arrangements between the entity and its immediate holding company. In assessing any appropriate provision requirements for uncertain tax items, the Company considers progress made in discussions with IRAS, expert advice on the likely outcome and any recent developments in case law, and no provision has been made in relation to the uncertain tax items.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 11. DISCONTINUED OPERATIONS

As disclosed in Note 2, due to the promulgation of the Implementation Regulations, the Directors reassessed the Contractual Arrangements and concluded that the Group ceased its control over the Affected Schools by 31 August 2021 and the Affected Schools were deconsolidated from the consolidated financial statements of the Group as of 31 August 2021.

The Directors has assessed that each of the Affected Schools comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, therefore each of the Affected Schools is a CGU. The Directors classified the Affected Schools as discontinued operations and the results of the discontinued operations were presented separately in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 August 2021. The comparative information relating to the discontinued operations has been re-presented to conform to the current year's presentation.

The net assets held by the Affected Schools were RMB2,905,548,000 as at 31 August 2021 and an aggregate one-off loss upon deconsolidation of the Affected Schools was recognised during the year and included in the losses from discontinued operations.

	2021 RMB'000	2020 RMB'000 (Restated)
Revenue	1,210,134	1,142,726
Cost of sales	(618,820)	(586,978)
Investment and other income	9,093	11,824
Other gains and losses	(478)	18,271
Marketing expenses	(22,473)	(21,717)
Administrative expenses	(115,350)	(92,469)
Finance costs	(5,258)	(5,797)
Profit before tax	456,848	465,860
Taxation	(3,011)	(206)
Profit for the year before loss on deconsolidation of Affected Schools	453,837	465,654
Loss on deconsolidation of Affected Schools	(2,905,548)	–
(Loss) profit for the year	(2,451,711)	465,654

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 11. DISCONTINUED OPERATIONS (Continued)

	2021 RMB'000	2020 RMB'000
<b>(Loss) profit for the year from discontinued operations includes the following:</b>		
Staff costs, including directors' remuneration		
– salaries and other allowances	433,463	442,657
– retirement benefit scheme contributions	28,454	20,388
Total staff costs	461,917	463,045
Depreciation of property, plant and equipment	69,612	66,597
Amortisation of intangible assets	9,547	11,575
Depreciation of right-of-use assets	28,892	27,791
Amortisation of books for lease	631	855
Covid-19-related rent concessions	(410)	(649)

During the year ended 31 August 2021, the Affected Schools contributed approximately RMB473,618,000 (2020: RMB(526,803,000)) to the Group's net operating cash flows, paid approximately RMB66,788,000 (2020: RMB85,926,000) in respect of investing activities and paid approximately RMB19,978,000 (2020: RMB16,300,000) in respect of financing activities.

### Analysis of assets and liabilities of the Affected School deconsolidated on 31 August 2021

	31/8/2021 RMB'000
Property, plant and equipment	1,218,880
Right-of-use assets	334,661
Goodwill	252,848
Other intangible assets	18,282
Prepayments paid for acquisition of property and equipment	1,155
Books for lease	387
Deposits, prepayments, trade and other receivables	33,905
Bank balances and cash	1,065,375
Amount due from related parties	1,868,047
Amount due to related parties	(296,757)
Contract liabilities	(978,402)
Other payables and accrued expenses	(284,841)
Lease liabilities	(161,538)
Income tax payable	(33,681)
Deferred tax liabilities	(44,381)
Net assets disposed of	2,993,940

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 11. DISCONTINUED OPERATIONS (Continued)

#### Loss on deconsolidation of the Affected Schools on 31 August 2021

	31/8/2021 RMB'000
Net assets disposed of	(2,993,940)
Non-controlling interests	88,392
Loss on deconsolidation	(2,905,548)

### 12. (LOSS) PROFIT FOR THE YEAR

#### Continuing operations

	2021 RMB'000	2020 RMB'000 (Restated)
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– salaries and other allowances	408,231	157,466
– retirement benefit scheme contributions	8,852	3,016
– share-based payments	8,570	16,177
Total staff costs	425,653	176,659
Gross rental income from investment properties	(12,920)	(16,669)
Less:		
Direct operating expenses incurred for investment properties that generated rental income during the year (included in administrative expenses)	1,120	1,703
Net rental income	(11,800)	(14,966)
Impairment loss recognised in respect of		
– property, plant and equipment	545,230	7,339
– goodwill	199,215	–
– right-of-use assets	46,798	–
– other intangible assets	2,416	–
Depreciation of property, plant and equipment	79,854	26,219
Amortisation of intangible assets	65,366	3,943
Depreciation of right-of-use assets	11,605	5,548
Depreciation of investment properties	3,545	4,093
Auditors' remuneration	3,150	3,050
Amortisation of books for lease	497	578
Gain arising from fair value changes of convertible bonds	(52,737)	–
Gain arising from fair value changes of contingent consideration	(1,420)	–
Covid-19-related rent concessions	–	(72)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

#### Directors and chief executives

Details of the emoluments paid to the Directors and the chief executives of the Company are as follows:

#### For the year ended 31 August 2021:

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
– Sherman Jen (Note 1)	–	3,422	–	–	3,422
– Zhang Jingxia	–	1,913	605	–	2,518
– James William Beeke	–	778	303	–	1,081
Independent non-executive directors					
– Lap Tat Arthur Wong	340	–	282	–	622
– Peter Humphrey Owen	327	–	281	–	608
– Alan Shaver	306	–	–	–	306
<b>Total</b>	<b>973</b>	<b>6,113</b>	<b>1,471</b>	<b>–</b>	<b>8,557</b>

#### For the year ended 31 August 2020:

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
– Sherman Jen (Note 1)	–	3,605	455	–	4,060
– Zhang Jingxia	–	2,015	980	–	2,995
– James William Beeke	–	777	490	–	1,267
Non-executive director					
– Howard Robert Balloch (Note 2)	391	–	(452)	–	(61)
Independent non-executive directors					
– Lap Tat Arthur Wong	376	–	458	–	834
– Peter Humphrey Owen	354	–	457	–	811
– Alan Shaver	332	–	–	–	332
<b>Total</b>	<b>1,453</b>	<b>6,397</b>	<b>2,388</b>	<b>–</b>	<b>10,238</b>

#### Notes:

- (1) Mr. Sherman Jen is the Chairman of the board and the chief executive officer of the Company for both years, and his emoluments disclosed above include those for services rendered by him as the chief executive officer.
- (2) Mr. Howard Robert Balloch, has resigned from his position as an independent non-executive director of the Company effective from 30 June 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)

#### Employees

The five highest paid individuals of the Group included two directors for the year ended 31 August 2021 (2020: three) whose emoluments are included in the disclosures above. The emoluments of the remaining three individuals for the year ended 31 August 2021 (2020: two), are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other benefits	6,863	2,167
Share-based payments	–	1,314
	<b>6,863</b>	<b>3,481</b>

The emoluments of the five highest paid individuals, other than directors, were within the following bands:

	2021 No. of employees	2020 No. of employees
HKD1,500,001 to HKD2,000,000	1	1
HKD2,000,001 to HKD2,500,000	–	1
HKD3,000,001 to HKD3,500,000	2	–
	<b>3</b>	<b>2</b>

No inducement paid or payable by the Group to the Directors to join or upon joining the Group and no Directors has waived any remuneration during both years.

### 14. DIVIDENDS

During the year ended 31 August 2020, a final dividend of HKD5.6 cents (equivalent to approximately RMB5.0 cents) per share (total dividend of RMB150,656,000) in respect of the year ended 31 August 2019 was paid to the shareholders of the Company and the trustee holding the shares under the Share Award Scheme.

No dividend in respect of the year ended 31 August 2021 has been proposed by the Directors of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 15. (LOSS) EARNINGS PER SHARE

#### For continuing operations

The calculation of the basic and diluted (loss) earnings per share from continuing operations attributable to owners of the Company is based on the following data:

**(Loss) earnings figures are calculated as follows:**

	Year ended 31/08/2021 RMB'000	Year ended 31/08/2020 RMB'000 (Restated)
(Loss) profit for the year attributable to owners of the Company	<b>(3,127,631)</b>	505,278
(Loss) profit for the year from discontinued operations	<b>(2,455,712)</b>	461,853
(Loss) earnings for the purpose of basic and dilutive (loss)/earnings per share from continuing operations	<b>(671,919)</b>	43,425

**Number of shares:**

	As at 31/08/2021 RMB'000	As at 31/08/2020 RMB'000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>2,970,940</b>	2,970,545
Effect of dilutive potential ordinary shares	–	5
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<b>2,970,940</b>	2,970,550

The number of shares adopted in the calculation of the basic (loss) earnings per share for the years ended 31 August 2021 and 2020 has been arrived at after eliminating the ungranted or unvested shares of the Company held under the Share Award Scheme.

The number of shares adopted in the calculation of the diluted loss per share for the year ended 31 August 2021 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of shares for the year ended 31 August 2021.

The computation of diluted loss per share for the year ended 31 August 2021 does not assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in a decrease in loss per share from continuing operations.

The number of shares adopted in the calculation of the diluted earnings per share for the year ended 31 August 2020 has been arrived after assuming the exercise of the Company's outstanding share options.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 15. (LOSS) EARNINGS PER SHARE (Continued)

#### From continuing and discontinued operations

The calculation of the basic and diluted (loss) earnings per share from continuing operations and discontinued operations attributable to owners of the Company is based on the following data:

**(Loss) earnings figures are calculated as follows:**

	As at 31/08/2021 RMB'000	As at 31/08/2020 RMB'000 (Restated)
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	<b>(3,127,631)</b>	505,278

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

#### From discontinued operations

Basic and diluted (loss) earnings per share for the discontinued operations is RMB(82.66) cents per share (2020: RMB15.55 cents per share), based on the (loss) profit for the year from the discontinued operations of approximately RMB(2,455,172,000) (2020: RMB461,853,000) and the denominators detailed above for both basic and diluted (loss) earnings per share.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Computer equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>							
At 1 September 2019	2,500,673	128,084	10,922	53,919	119,269	45,083	2,857,950
Additions	59,416	2,727	597	4,515	8,440	244,774	320,469
Acquired on acquisition of subsidiaries	1,142,355	11,475	967	12,207	5,617	22,778	1,195,399
Transfer from construction in progress	48,042	–	–	–	–	(48,042)	–
Disposals	–	–	(684)	(197)	(2,006)	–	(2,887)
Exchange adjustment	7,859	231	6	234	67	(96)	8,301
<b>At 31 August 2020</b>	<b>3,758,345</b>	<b>142,517</b>	<b>11,808</b>	<b>70,678</b>	<b>131,387</b>	<b>264,497</b>	<b>4,379,232</b>
Additions	–	706	866	5,610	9,385	129,593	146,160
Transfer from construction in progress	312,833	–	–	–	–	(312,833)	–
Deconsolidation	(1,196,348)	(116,982)	(5,364)	(41,825)	(89,644)	(47,553)	(1,497,716)
Disposals	(24,045)	(636)	(867)	(1,388)	(767)	–	(27,703)
Exchange adjustment	(57,848)	(648)	(57)	(681)	(336)	(359)	(59,929)
<b>At 31 August 2021</b>	<b>2,792,937</b>	<b>24,957</b>	<b>6,386</b>	<b>32,394</b>	<b>50,025</b>	<b>33,345</b>	<b>2,940,044</b>
<b>DEPRECIATION AND IMPAIRMENT</b>							
At 1 September 2019	313,768	18,407	5,168	22,570	78,796	–	438,709
Provided for the year	61,143	10,243	1,213	7,520	12,697	–	92,816
Impairment loss	–	–	–	–	–	7,339	7,339
Eliminated on disposals	–	–	(643)	(141)	(1,908)	–	(2,692)
Exchange adjustment	310	49	6	106	47	–	518
<b>At 31 August 2020</b>	<b>375,221</b>	<b>28,699</b>	<b>5,744</b>	<b>30,055</b>	<b>89,632</b>	<b>7,339</b>	<b>536,690</b>
Provided for the year	109,760	12,698	1,593	10,936	14,479	–	149,466
Deconsolidation	(153,291)	(32,416)	(3,251)	(24,440)	(65,438)	–	(278,836)
Impairment loss recognised in profit or loss (Note 18)	545,230	–	–	–	–	–	545,230
Eliminated on disposals	(9,715)	(514)	(824)	(1,250)	(542)	–	(12,845)
Exchange adjustment	(1,222)	(159)	(12)	(146)	(76)	(349)	(1,964)
<b>At 31 August 2021</b>	<b>865,983</b>	<b>8,308</b>	<b>3,250</b>	<b>15,155</b>	<b>38,055</b>	<b>6,990</b>	<b>937,741</b>
<b>CARRYING VALUES</b>							
At 31 August 2021	1,926,954	16,649	3,136	17,239	11,970	26,355	2,002,303
At 31 August 2020	3,383,124	113,818	6,064	40,623	41,755	257,158	3,842,542



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, other than construction in progress, after taking into account their estimated residual value of 0%-5% of the cost, are depreciated on a straight-line basis at the following rates per annum:

Buildings	1.9% to 4.0%
Leasehold improvements	The shorter of useful life or lease term
Motor vehicles	19.0% to 20.0%
Furniture and fixtures	11.9% to 48.0%
Computer equipment	19.0% to 20.0%

The Group's buildings situated on land in the PRC are held by the Group under medium-term lease.

At 31 August 2021, the Group is in the process of obtaining the property certificate for the buildings with carrying value of RMB278,633,000 (2020: RMB262,987,000) which are located in the PRC.

### 17. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Favorable lease RMB'000	Total RMB'000
As at 31 August 2020				
Carrying amount	298,508	201,384	4,083	503,975
As at 31 August 2021				
Carrying amount	<b>66,101</b>	<b>18,637</b>	–	<b>84,738</b>
For the year ended 31 August 2021				
Depreciation charge	<b>8,309</b>	<b>31,900</b>	<b>288</b>	<b>40,497</b>
For the year ended 31 August 2020				
Depreciation charge	7,466	25,349	524	33,339
			<b>Year Ended at 31 August 2021 RMB'000</b>	Year Ended at 31 August 2020 RMB'000
Expense relating to short-term			<b>2,163</b>	1,177
Total cash outflow for leases			<b>11,184</b>	5,105
Additions to right-of-use assets			<b>3,428</b>	57,458

For both years, the Group leases various buildings for its operations. Lease contracts are entered into for a fixed term of 12 months to 30 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Details of impairment of right-of-use assets are set out in Note 18.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 18. IMPAIRMENT TESTING ON LONG-TERM ASSETS

As disclosed in Note 2, the Group has deconsolidated the Affected Schools on 31 August 2021. There are certain property and equipment and right-of-use assets held by the Consolidated Affiliated Entities (other than the Affected Schools) occupied by the Affected Schools before the deconsolidation and are expected to be continuously occupied by the Affected Schools subsequent to the deconsolidation. The Group concluded that impairment indicators existed in relation to such assets due to the Implementation Regulations and deconsolidation of the Affected Schools, and performed an impairment assessment on such assets with carrying amounts (before impairment) of RMB545,230,000 and RMB46,798,000, for property and equipment and right-of-use assets, (together, the “**Occupied Asset**”) respectively.

When determining the recoverable amount of the Occupied Assets, the Directors considered (1) currently, there’s no rental agreement with the Affected Schools on the use of the Occupied Assets, (2) the fact that the Implementation Regulations prohibit the Affected Schools to conduct transactions with the related parties, as a result, upon the effective of the Implementation Regulations the Group could not charge fees to the Affected Schools for the use of the Occupied Assets, and (3) it is not practicable for the Group to remove such occupation which imposes significant restriction on the Occupied Assets, and such restriction is a characteristic of the Occupied Assets and not entity specific.

Based on the above assessment of the implications of the Implementation Regulations, and the related facts and circumstances of the Occupied Assets, full impairment was made for the Occupied Assets as at 31 August 2021. Impairment losses of RMB545,230,000 and RMB46,798,000 (2020: RMB7,339,000 and nil) have been recognised against the carrying amount of property and equipment and right-of-use assets, respectively.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 19. INVESTMENT PROPERTIES

The Group leases out various offices under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 3 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	RMB'000
<b>COST</b>	
At 1 September 2019	367,038
Additions	10,427
Exchange adjustments	(5,834)
At 31 August 2020	371,631
Exchange adjustments	<b>(16,560)</b>
At 31 August 2021	<b>355,071</b>
<b>DEPRECIATION</b>	
At 1 September 2019	18,973
Provided for the year	4,093
Exchange adjustments	(176)
At 31 August 2020	22,890
Provided for the year	<b>3,545</b>
Exchange adjustments	<b>(240)</b>
At 31 August 2021	<b>26,195</b>
<b>CARRYING VALUES</b>	
At 31 August 2021	<b>328,876</b>
At 31 August 2020	348,741

The fair value of the Group's investment properties at 31 August 2021 is RMB399,958,000 (2020: RMB410,633,000). The fair value has been arrived based on a valuation carried out by Debenham Tie Leung Limited ("**DTZ**") for investment property located in PRC; by Savills Valuation And Professional Service (S) Pte Ltd. ("**Savills**") for investment property located in Singapore, and by Suncorp Valuations for investment property located in Canada. DTZ is a member of the Hong Kong Institute of Surveyors, Savills is a member of the Singapore Institute of Valuers and Surveyors, Suncorp Valuations is a member of the Appraisal Institute of Canada. The valuation was determined by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests and determined by cost of reproduction new. The key inputs are term capitalisation rate, market unit rent of individual unit, and the cost of reproduction new.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 19. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	<b>Carrying value</b> RMB'000	<b>Level 3 Fair value</b> RMB'000
Commercial property units located in the PRC		
At 31 August 2021	<b>8,507</b>	<b>31,600</b>
At 31 August 2020	9,120	33,000
	<b>Carrying value</b> RMB'000	<b>Level 3 Fair value</b> RMB'000
Commercial property units located in Singapore		
At 31 August 2021	<b>310,698</b>	<b>326,930</b>
At 31 August 2020	329,549	337,220
	<b>Carrying value</b> RMB'000	<b>Level 3 Fair value</b> RMB'000
Commercial property units located in Canada		
At 31 August 2021	<b>9,671</b>	<b>41,428</b>
At 31 August 2020	10,072	40,413

The above investment properties are depreciated on a straight-line basis at 1.0%, 2.0% and 3.2% per annum, respectively. The Group's investment properties are situated on land in the PRC, Singapore and Canada. The investment properties located in Singapore have been pledged to secure banking borrowings of the Group (Note 31).

### 20. GOODWILL

	<b>2021</b> RMB'000	2020 RMB'000
COST AND CARRYING VALUES		
At 1 September	<b>2,449,342</b>	252,848
Arising on acquisition of subsidiaries	–	2,196,089
Deconsolidation	<b>(252,848)</b>	–
Impairment loss recognised in the year	<b>(199,215)</b>	–
Exchange adjustment	<b>(100,476)</b>	405
At 31 August	<b>1,896,803</b>	2,449,342

Particulars regarding impairment testing on goodwill are disclosed in Note 22.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 21. OTHER INTANGIBLE ASSETS

	Student base RMB'000	Licence RMB'000	Trademark RMB'000	Total RMB'000
<b>COST</b>				
At 1 September 2019	45,300	1,721	–	47,021
Exchange adjustments	(10)	635	468	1,093
Acquired through acquisition of subsidiaries	321,941	70,618	587,161	979,720
At 31 August 2020	367,231	72,974	587,629	1,027,834
Deconsolidation	<b>(45,300)</b>	<b>(1,721)</b>	–	<b>(47,021)</b>
Exchange adjustments	<b>(15,376)</b>	<b>(3,633)</b>	<b>(28,241)</b>	<b>(47,250)</b>
At 31 August 2021	<b>306,555</b>	<b>67,620</b>	<b>559,388</b>	<b>933,563</b>
<b>AMORTISATION</b>				
At 1 September 2019	6,486	1,130	–	7,616
Exchange adjustments	1	36	–	37
Provided for the year	11,339	4,179	–	15,518
At 31 August 2020	17,826	5,345	–	23,171
Deconsolidation	<b>(27,067)</b>	<b>(1,672)</b>	–	<b>(28,739)</b>
Exchange adjustments	<b>(929)</b>	<b>(717)</b>	<b>(67)</b>	<b>(1,713)</b>
Impairment loss in the year	–	–	2,416	2,416
Provided for the year	<b>53,195</b>	<b>21,718</b>	–	<b>74,913</b>
At 31 August 2021	<b>43,025</b>	<b>24,674</b>	<b>2,349</b>	<b>70,048</b>
<b>CARRYING VALUES</b>				
At 31 August 2021	<b>263,530</b>	<b>42,946</b>	<b>557,039</b>	<b>863,515</b>
At 31 August 2020	349,405	67,629	587,629	1,004,663

The trademark of Kingsley International School and Canadian International School has a legal life of 10 years and is renewable every 10 years at minimal cost. The Directors are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by the management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash inflows for the Group.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in Note 22.

All of the Group's student base, trademark and licence were acquired through business combination. Trademark has an infinite estimated useful life. Student base has a finite estimated useful life and are amortised on expected usage of the intangible assets. Licence has a finite estimated useful life of 1.75-4 years and it is amortised on the straight-line basis over the estimated useful life.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 20 and 21 have been allocated to the CGUs that are expected to benefit from the business combination. The carrying amounts of goodwill and trademarks (net of accumulated impairment losses) allocated to these units are as follows:

	Goodwill		Trademark	
	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
CGUs:				
Dalian Maple Leaf Lanxi Wenyuan Preschool ("Lanxi") <sup>(1)</sup>	–	1,026	–	–
Dalian Maple Leaf Jinhai Preschool ("Jinhai") <sup>(1)</sup>	–	956	–	–
Jingzhou Maple Leaf International School ("Jingzhou") <sup>(1)</sup>	–	10,417	–	–
Hainan Maple Leaf Science and Education Group Co., Ltd ("Hainan Science") <sup>(1)</sup>	–	48,065	–	–
Yisidun International Education Investment (Shenzhen) Co., Ltd ("Yisidun") <sup>(1)</sup>	–	30,453	–	–
Five Mei (Note) <sup>(1)</sup>	–	75,051	–	–
Junpeng (Note) <sup>(1)</sup>	–	74,310	–	–
Luzhou Qizhong Jiade Education Investment Co., Ltd ("Jiade") <sup>(1)</sup>	–	12,570	–	–
Kingsley Edugroup Berhad ("Kingsley")	–	67,973	32,508	36,870
Star Readers Pte. Ltd. ("STAR")	1,896,803	2,128,521	524,531	550,759
	<b>1,896,803</b>	<b>2,449,342</b>	<b>557,039</b>	<b>587,629</b>

Note (1): These CGUs were deconsolidated on 31 August 2021 as part of the Affected Schools (see Note 2 for details).

The recoverable amount of each CGU has been determined based on value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period and discount rate. Extrapolated growth rate used in cash flow projections is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue, such estimation is based on each CGU's past performance and the management's expectations for future market development. The cash flows projections, growth rates and discount rate have been reassessed as at 31 August 2021 taking into consideration higher degree of estimation uncertainties in the current year due to how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

The major underlying assumptions are summarised below:

	Pre-tax discount rate		Extrapolated growth rate	
	2021	2020	2021	2020
Lanxi <sup>(1)</sup>	N/A	18.0%	N/A	3.0%
Jinhai <sup>(1)</sup>	N/A	18.0%	N/A	3.0%
Jingzhou <sup>(1)</sup>	N/A	21.1%	N/A	3.0%
Hainan Science <sup>(1)</sup>	N/A	23.1%	N/A	3.0%
Yisidun <sup>(1)</sup>	N/A	26.0%	N/A	3.0%
Five Mei <sup>(1)</sup>	N/A	22.9%	N/A	3.0%
Junpeng <sup>(1)</sup>	N/A	20.7%	N/A	3.0%
Jiade <sup>(1)</sup>	N/A	21.3%	N/A	3.0%
Kingsley	16.3%	16.2%	2.3%	3.0%
STAR	14.0%	13.7%	1.5%	3.0%

Other assumptions are summarised below:

	Average revenue growth rate	
	2021	2020
Jingzhou <sup>(1)</sup>	N/A	23.6%
Hainan Science <sup>(1)</sup>	N/A	9.7%
Yisidun <sup>(1)</sup>	N/A	25.0%
Five Mei <sup>(1)</sup>	N/A	10.2%
Junpeng <sup>(1)</sup>	N/A	45.8%
Jiade <sup>(1)</sup>	N/A	11.2%
Kingsley	30.2%	30.9%
STAR	12.6%	10.2%

The recoverable amount of CGUs and the headroom are as follows:

	Recoverable Amount RMB'000	Headroom RMB'000
Kingsley	297,625	—
STAR	3,072,607	—

Note (1): These CGUs were deconsolidated on 31 August 2021 as part of the Affected Schools (see Note 2 for details).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

The Group tests goodwill and trademarks annually for impairment or more frequently if there are indicators that goodwill and trademark might be impaired. The impairment test of the current year were performed by the Company with reference to an independent valuation provided by Duff & Phelps, an independent firm of professional valuer not connected with the Group, who has appropriate qualification and recent experience of valuation of similar scope. Its address is Suite 801- 803, 8/F Tower 2, China Central Place, 79 Jianguo Road, Chaoyang District, Beijing, China.

During the year ended 31 August 2021, the management has taken into consideration (1) the current year performance of Kingsley and STAR, and (2) the development of the Covid-19 pandemic and its impact on international travelling and international students, which had direct impact on Kingsley and STAR's forecasted international students numbers and consequently future performance outlook. Based on the discounted cash flow analysis of Kingsley and STAR, impairment were identified for both Kingsley and STAR. The Directors have determined impairment of goodwill and trademark directly related to Kingsley amounting to RMB66,086,000 and RMB2,416,000, respectively. The impairment of goodwill directly related to STAR amounting to RMB133,129,000. Both Kingsley and STAR belongs to the Overseas Segment of the Group. The impairment loss has been included in profit or loss in the other gains and losses line item.

The management has conducted a sensitivity analysis of key assumptions applied in conducting the above impairment testing of STAR and Kingsley which assumes one assumption changed, while other parameters remain constant.

The sensitivity analysis of STAR is as follows:

	Change of assumptions		Recoverable Amount		Further Impairment	
	2021	2020	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Average revenue growth rate decrease by 1%	11.6%	N/A	2,957,337	N/A	115,270	N/A
Pre-tax discount rate increase by 0.5%	14.5%	N/A	2,528,544	N/A	544,063	N/A
Extrapolated growth rate decrease by 0.5%	1.0%	N/A	2,982,742	N/A	89,865	N/A

The sensitivity analysis of Kingsley is as follows:

	Change of assumptions		Recoverable Amount		Impairment	
	2021	2020	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Average revenue growth rate decrease by 1%	29.2%	29.9%	266,639	405,549	30,986	–
Pre-tax discount rate increase by 0.5%	16.8%	16.7%	228,658	395,730	32,508	–
Extrapolated growth rate decrease by 0.5%	1.8%	2.5%	287,960	403,190	9,665	–



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 23. PLEDGED BANK DEPOSITS

	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
Deposits pledged for banking facilities	1,548,151	1,544,668
Analysed for reporting purposes as:		
Current assets disclosed as pledged bank deposits	1,548,151	1,412,668
Non-current assets disclosed as pledged bank deposits	–	132,000
	<b>1,548,151</b>	<b>1,544,668</b>

- a. The amount represents bank deposits pledged to banks as security for certain banking facilities granted to the Group.
- b. Dalian Educational Group entered into a banking facility agreement with United Overseas Bank on 23 August 2016 for a loan amounting to SGD23,103,000 (equivalent to RMB111,073,000) (Note 31). Bank deposits of RMB135,742,000 placed with the bank at the interest rate of 2.84% per annum is pledged with the bank for a period of two years and renewed on 31 August 2020.
- c. Dalian Beipeng Software entered into another banking facility agreement with China Merchants Bank Co., Ltd. on 31 July 2020 for a loan amounting to SGD259,288,000 (equivalent to RMB1,247,218,000) (Note 31). Bank deposits with a principal of RMB1,412,409,000 placed with the bank at the interest rate of 1.82%~2.25% per annum are pledged with the bank for a period of one year and renewed on 31 August 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 24. DEPOSITS, PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
Receivable from third parties	27,178	40,370
Short-term loan to a third party (Note)	31,414	31,414
Prepaid rent and other prepaid expenses	9,403	11,042
Trade receivables net of allowance for credit losses	5,581	5,841
Deposits	4,212	8,542
Staff advances	186	464
Management fees receivables	51	12,592
Consideration adjustment receivable	–	46,731
Others	13,542	17,092
	<b>91,567</b>	<b>174,088</b>

Note: In July 2019, the Group entered into a short-term loan agreement with Zhangqiu Construction and Investment Limited of RMB30,000,000, the loan was due in one year. In August 2021, the Group extended the loan agreement to July 2022. According to the loan agreement, the interest rate shall be the same as base rate published by the People's Bank of China for the same period.

Loss allowance for trade receivables has been measured at an amount equal to lifetime ECL. The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast directions of conditions at the reporting date. The group has recognised a loss allowance of 100% against all receivables over 365 days past due because historical experience has indicated that these receivables are generally not recoverable.

The following table details the risk profile of trade receivables from contracts with customers based on the group's provision matrix. As the group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the group's different customer base. The following is an analysis of trade receivables by age, presented based on the dates the students were informed for payment.

	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
Not past due	3,509	3,541
0-30 days	592	1,019
31-60 days	510	199
61-90 days	189	215
>90 days	781	867
	<b>5,581</b>	<b>5,841</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

#### Financial assets mandatorily measured at FVTPL:

	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
Listed securities:		
– Equity securities listed in the Stock Exchange	8,274	8,702
Wealth management products issued by banks	–	4,203
Analysed for reporting purposes as:		
Current assets	8,274	12,905

Listed securities and wealth management products are classified as current as the management expects to realize these financial assets within twelve months after the reporting period.

### 26. RESTRICTED CASH

	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
Restricted cash	–	48,566

During the years ended 31 August 2019, the Group placed RMB48,561,000 in a bank account managed by both the Group and the seller of the acquisition target in Jiade, therefore the amount deposited is recorded as restricted cash. The restricted cash has been released on 13 August 2021 upon final closing of the acquisition.

### 27. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

As at 31 August 2021, the Group's bank deposits carry interest at market rates which range from 0.35% to 2.03% (31 August 2020: 0.30% to 2.03%) per annum.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 27. BANK BALANCES AND CASH (Continued)

At the end of each year, included in bank balances are the following amounts denominated in currencies other than the functional currency of the relevant group entities to which they relate.

	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
Currency:		
United States dollar ("USD")	92,232	100,404
Singapore dollar ("SGD")	30,233	6,527
HKD	11,500	20,818
Canadian dollar ("CAD")	443	3,469
Australian dollar ("AUD")	47	27
	<b>134,455</b>	<b>131,245</b>

### 28. CONTRACT LIABILITIES

	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
Tuition and boarding fees	406,952	1,444,104
Others	34,721	61,898
	<b>441,673</b>	<b>1,506,002</b>

### 29. OTHER PAYABLES AND ACCRUED EXPENSES

	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
Payables for purchase of property, plant and equipment	62,018	153,701
Miscellaneous expenses received from students (Note)	35,741	222,404
Accrued payroll	20,520	44,579
Deposits received from students	18,953	38,588
Acquisition consideration payable	13,237	64,015
Payables for purchase of goods	8,750	6,982
Accrued operating expenses	3,575	4,784
Prepayment from lessee	2,089	4,470
Accrued professional fees for the acquisition	681	13,903
Government grant	–	5,994
Other tax payables	9,338	6,110
Others	33,256	62,558
	<b>208,158</b>	<b>628,088</b>

Note: The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 30. LEASE LIABILITIES

	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
Lease liabilities payable:		
Within one year	9,388	30,641
Within a period of more than one year but not more than two years	2,169	25,528
Within a period of more than two years but not more than five years	3,528	59,390
Within a period of more than five years	3,733	85,417
	<b>18,818</b>	200,976
Less: Amount due for settlement with 12 months shown under current liabilities	<b>(9,388)</b>	(30,641)
Amount due for settlement after 12 months shown under non-current liabilities	<b>9,430</b>	170,335

The weighted average incremental borrowing rates applied to lease liabilities range from 2.87% to 5.00% (2020: from 2.85% to 5.00%).

### 31. BORROWINGS

	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
Secured bank borrowings	2,628,583	3,630,566
The carrying amounts of the above borrowings are repayable:		
Within one year	2,547,183	2,303,062
Within a period of more than one year but not exceeding two years	13,228	357,992
Within a period of more than two years but not exceeding five years	46,302	917,885
Within a period of more than five years	21,870	51,627
	<b>2,628,583</b>	3,630,566
Less: Amounts due within one year shown under current liabilities	<b>(2,547,183)</b>	(2,303,062)
Amounts shown under non-current liabilities	<b>81,400</b>	1,327,504

The borrowings amounting to SGD23,103,000 and SGD259,288,000 (in aggregate equivalent to RMB1,358,291,000) are secured by pledged bank deposits of RMB135,742,000 of Dalian Educational Group and RMB1,412,409,000 of Dalian Beipeng Software (Note 23).

The borrowings amounting to SGD40,120,000 (equivalent to RMB192,889,000) are mortgaged over an investment property owned by Maple Leaf Education Hillside Pte. Ltd. ("Maple Hillside") of RMB310,698,000 (Note 19), and existing and future legal assignment of rental proceeds, rental deposits and other rights of Maple Hillside.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 31. BORROWINGS (Continued)

The borrowing amounting to SGD204,648,000 (equivalent to RMB984,375,000) is secured over (1) all the shares of the Offshore Group (including CIS) and Maple Leaf CIS Holdings Pte. Ltd.; (2) all the assets of the Offshore Group; (3) debt service reserve account held by CIS; (4) dividend accounts (if any), and (5) pledge over all the shares of Dalian Beipeng Software. According to the loan agreement, the loan will become repayment on demand if (1) the adjusted leverage ratio (the adjusted leverage ratio means operating profit before interest, tax, depreciation and amortization (the "EBITDA") adjusted for (a) adding EBITDA of subsidiaries acquired during the year prior to the acquisition of such subsidiary; and (b) deducting EBITDA of subsidiaries disposed during the year prior to the disposal of such subsidiary) of the Group exceed 2.50:1; or (2) change in any educational law or regulation in the PRC, which requires the Group to cease to operate, close or dispose of or transfer to a third party any of its assets in order to comply with such law or regulation. As at 31 August 2021, due to the deconsolidation of the Affected Schools, the above loan covenants have been breached and the loan is considered repayable on demand. Accordingly, the borrowing was reclassified as current liability.

The borrowings amounting to MYR59,562,000 (equivalent to RMB93,028,000) are secured by pledge of debt service reserve account held by Kingsley International Sendirian Berhad (subsidiaries owned by Kingsley) and debenture incorporating fixed and floating charge over all assets and undertakings of Kingsley.

These borrowings carry interest at fixed or variable interest rates range from 0.70% to 4.48% (31 August 2020: 0.70% to 5.58%) per annum.

### 32. DEFERRED TAX LIABILITIES

The following are the movements during the current and prior years:

	Fair value adjustment on assets acquired through business combination RMB'000
At 1 September 2019	51,466
Credit to profit or loss	(4,591)
Acquisition of subsidiaries	285,535
Exchange adjustments	1,182
At 31 August 2020	333,592
Credit to profit or loss	<b>(19,679)</b>
Deconsolidation	<b>(44,381)</b>
Exchange adjustments	<b>(13,712)</b>
At 31 August 2021	<b>255,820</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 33. CONVERTIBLE BONDS

Financial liabilities designated at FVTPL:

	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
Convertible bonds (Note)	753,665	–
Analysed for reporting purposes as:		
Non-current liabilities	753,665	–

Note:

On 12 January 2021, the Company entered into a subscription agreement with UBS AG Hong Kong Branch (the “**Manager**”) under which the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the convertible bonds due in 2026 in an aggregate principal amount of USD125,000,000 (the “**Convertible Bonds**”).

On 27 January 2021 (the “**Issue Date**”), the Company completed the issuance of the Convertible Bonds. The cash proceeds related to the issuance of USD125,000,000 (equivalent to RMB808,551,000) were received by the Company on the Issue Date. The issuance cost related to the Convertible Bonds of approximately USD1,250,000 (equivalent to RMB8,138,000) was charged to the finance cost. The Convertible Bonds were recognised and measured as financial liabilities designated at FVTPL. The fair value as of the Issue Date and 31 August 2021 was RMB808,551,000 and RMB753,665,000, respectively (Note 39). The changes in fair value related to the financial liabilities of RMB52,737,000 were charged to other gain and losses.

The Convertible Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 2.25 per cent per annum, payable semi-annually in arrears on 27 January and 27 July in each year, commencing on 27 July 2021.

Pursuant to the subscription agreement, each of the Convertible Bonds will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 9 March 2021 up to the close of business (at the place where the certificate evidencing the Bonds are deposited for conversion) on the seventh day prior to 27 January 2026 (the “**Maturity Date**”) (both days inclusive) (the “**Conversion Period**”) into fully paid ordinary shares with a par value of USD0.0005 each of the Company at an initial conversion price of HKD2.525 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions of the subscription agreement. The conversion price of the Convertible Bonds as at 31 August 2021 is HKD2.525 per share.

As at 31 August 2021, no conversion related to the Convertible Bonds was exercised by the holders.

On giving notice in accordance with the respective terms and conditions of the subscription agreement, at any time after 11 February 2024 and prior to the Maturity Date, the Convertible Bonds may be redeemed at the option of the Company. The Convertible Bonds may be redeemed at the option of the Company in whole but not in part for taxation reasons as described in the subscription agreement. The Convertible Bonds may be redeemed at the option of the holder following the occurrence of a relevant event described in the subscription agreement or on 27 January 2024 as the optional put date for the holder to request the Company to redeem all or some of the Convertible Bonds upon giving notice in accordance with the subscription agreement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 34. SHARE CAPITAL

	Number of shares '000	Amount USD'000	Shown in the consolidated financial statements as RMB'000
Ordinary shares of USD0.0005 each			
Authorised			
At 31 August 2020 and 2021	8,000,000	4,000	
Issued and fully paid			
At 31 August 2020 and 2021	2,995,321	1,498	9,309

### 35. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC, Malaysia and Singapore are members of a state-managed retirement benefits scheme operated by the PRC, Malaysia and Singapore Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefit scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

### 36. SHARE-BASED PAYMENTS

#### Employee Share Purchase Plan

The Company's Employee Share Purchase Plan (the "ESPP") was approved and adopted by the Company on 12 October 2020 to take effect for the purpose of providing the selected participants with the opportunity to acquire proprietary interests in the Company and to encourage the selected participants by permitting the selected participants to purchase shares of the Company and by awarding matching restricted shares, which upon vesting are settled in shares.

During the current period, no matching shares under the ESPP were granted.

#### Post-IPO Share Option Scheme

The Company's Post-IPO share option scheme (the "Post-IPO Share Option Scheme") was approved and adopted by the Company on 10 November 2014 to take effect from 28 November 2014 for the purpose of enabling the Company to grant options to the Selected Participants as incentives or rewards for their contributions to the Group.

The number of option shares disclosed below has been retrospectively adjusted to reflect the share subdivision that became effective on 9 July 2018 (the "Share Subdivision").





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 36. SHARE-BASED PAYMENTS (Continued)

#### Post-IPO Share Option Scheme (Continued)

Movements of the Company's share options granted under the Post-IPO Share Option Scheme are as followings:

#### For the year ended 31 August 2021:

	Date of grant	Option type	Outstanding at 1 September 2020	Granted during the year	Forfeited during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 August 2021
Executive director:								
	14 June 2018	Post-IPO-4th	1,200,000	-	-	(400,000)	-	800,000
	14 June 2018	Post-IPO-4th	600,000	-	-	(200,000)	-	400,000
Independent non-executive director:								
	14 June 2018	Post-IPO-4th	415,200	-	-	(138,400)	-	276,800
	14 June 2018	Post-IPO-4th	415,200	-	-	(138,400)	-	276,800
	28 June 2019	Post-IPO-6th	246,000	-	-	(62,000)	-	184,000
	28 June 2019	Post-IPO-6th	246,000	-	-	(62,000)	-	184,000
Employees in aggregate:								
	14 June 2018	Post-IPO-5th	19,320,000	-	(2,380,000)	(6,060,000)	-	10,880,000
	28 June 2019	Post-IPO-7th	4,410,000	-	(525,000)	(2,130,000)	-	1,755,000
Total			26,852,400	-	(2,905,000)	(9,190,800)	-	14,756,600
Exercisable at the end of the year								-

The Group recorded share-based compensation expense of RMB8,570,000 for the year ended 31 August 2021 (2020: RMB14,898,000), in relation to the share options granted under the Post-IPO Share Option Scheme. During the current year, no share options under the Post-IPO Share Option Scheme were granted or exercised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 37. NON-CONTROLLING INTERESTS

	Year ended at 31 August 2021 RMB'000	Year ended at 31 August 2020 RMB'000
Balance at beginning of the year	96,673	92,872
Share of profit for the year	4,001	3,801
Acquisition of non-controlling interests	(12,282)	–
Deconsolidation	(88,392)	–
Balance at end of the year	–	96,673

### 38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank balance and cash, pledged bank deposits, restricted cash, amount due from related parties, convertible bonds, amount due to related parties, borrowings and equity attributable to equity holders of the Company, comprising capital, reserves and retained profits.

The Directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through repurchase of shares or issuance of new shares.

### 39. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
Financial assets		
Financial assets at FVTPL		
– Listed equity securities	8,274	8,702
– Wealth management products	–	4,203
Financial assets at amortised cost	2,666,363	3,066,723
Financial liabilities		
FVTPL		
– Contingent consideration in business combination	24,178	26,846
– Convertible bonds	753,665	–
Liabilities measured at amortised cost	4,876,846	4,400,726

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 39. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies

The Group's major financial instruments include deposits, trade and other receivables, financial assets measured at FVTPL, pledged bank deposits, bank balances and cash, amount due from related parties, other payables, amount due to related parties, borrowings, consideration payable, contingent consideration and convertible bonds. Details of these financial instruments are disclosed in the respective notes. These risks include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

##### (i) Currency risk

The Group conducts its business mainly in the PRC and Southeast Asia. The majority of the Group's revenue and expenditures are denominated in RMB SGD and MYR. The Company and several subsidiaries of the Company have bank balances, other receivables, other payables and borrowings which are denominated in foreign currencies. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of reporting period are as follows:

	Liabilities		Assets	
	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
HKD	8,690	4,198	95,401	45,728
SGD	1,358,291	3,323,471	30,233	6,527
CAD	–	–	443	3,469
USD	–	–	92,232	100,404
	<b>1,366,981</b>	3,327,669	<b>218,309</b>	156,128

#### Sensitivity analysis

The Group is mainly exposed to the currency of USD, SGD, CAD and HKD. The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in RMB against USD, SGD, CAD and HKD. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation at the year-end for a 5% (2020: 5%) change in foreign currency rates. A positive number below indicates a decrease in profit before tax where RMB strengthens 5% against USD, SGD, CAD and HKD. For a 5% (2020: 5%) weakening of RMB against USD, SGD, CAD and HKD, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	2021 RMB'000	2020 RMB'000
Profit or loss related to USD	4,612	5,020
Profit or loss related to SGD	(66,403)	(165,847)
Profit or loss related to CAD	22	173
Profit or loss related to HKD	4,336	2,077

In the opinion of the Directors, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the exposure at the end of the reporting year does not reflect the exposure for the full year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 39. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### Market risk (Continued)

##### (ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (see Note 30 for details) and pledged bank deposits (see Note 23 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 31 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and Swap Offer Rate ("SOR") arising from the Group's Singapore dollar denominated borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some Swap Offer Rate ("SOR") with alternative nearly risk-free rates. The Group is closely monitoring the transition to new benchmark interest rates.

##### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable interest rate bank balances and borrowings. If interest rates had been 5 basis points higher/lower and all other variables were held consistent, the Group's post-tax profit for the year ended 31 August 2021 would decrease/increase by RMB10,496,000 (2020: decrease/increase by RMB16,167,000).

##### (iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities for the year ended 31 August 2021. The management manages the exposure to equity price risk of investments in listed equity securities by closely monitoring fluctuation of these investments.

##### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks relating to held-for-trading equity instruments investments at the reporting date.

If the price of the respective equity instruments had been 5% higher/lower, post-tax profit for the year ended 31 August 2021 would increase/decrease by RMB413,700 as a result of the changes in fair value.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 39. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### **Credit risk and impairment assessment**

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to wealth management products, deposits, trade and other receivables, pledged bank deposits, restricted cash and bank balances and cash. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Except for investment in wealth management products which is subsequently measure at FVTPL, the Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

##### **Pledged bank deposits/restricted cash/bank balances and cash**

Credit risk on pledged bank deposits/restricted cash/bank balances and cash is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for pledged bank deposits/restricted bank deposits/bank balances and cash by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits/restricted cash/bank balances and cash is considered to be insignificant.

##### **Other receivables and deposits**

For other receivables and deposits, the Directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 August 2021, the Group assessed the ECL for other receivables and deposits were insignificant.

##### **Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The amount of net current liabilities of the Group is approximately RMB600,751,000 as at 31 August 2021, which causes the Group in significant liquidity risk. At the end of the reporting period, the Group has taken appropriate measures as set out in Note 2 to improve the liquidity position of the Group.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The interest rates as at the end of the reporting period are used for the cash flow calculation in relation to variable rate interest bearing financial liabilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 39. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### Liquidity risk (Continued)

	Weighted average interest rate %	On demand or less than 1 year RMB'000	1-2 years RMB'000	2-3 years RMB'000	3-5 years RMB'000	>5 years RMB'000	Undiscounted cash flows RMB'000	Total carrying amount RMB'000
Non derivative financial liabilities								
Other payables	-	176,210	-	-	-	-	176,210	176,210
Amounts due to related parties	4.75	6,053	-	125,463	2,133,624	-	2,265,140	1,868,047
Lease liabilities	3.02	9,595	2,451	1,907	2,103	4,274	20,330	18,818
Fixed and variable interest rates								
borrowings	3.24	2,597,109	16,521	17,837	34,378	22,462	2,688,307	2,628,583
Convertible bonds	2.25	18,117	18,117	18,117	875,693	-	930,044	753,665
At 31 August 2021		2,807,084	37,089	163,324	3,045,798	26,736	6,080,031	5,445,323
Non derivative financial liabilities								
Other payables	-	566,935	-	-	-	-	566,935	566,935
Lease liabilities	3.31	37,351	29,300	28,129	41,221	108,803	244,804	200,976
Fixed and variable interest rates								
borrowings	3.20	2,380,807	407,214	939,776	37,419	32,671	3,797,887	3,630,566
At 31 August 2020		2,985,093	436,514	967,905	78,640	141,474	4,609,626	4,398,477

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 39. FINANCIAL INSTRUMENTS (Continued)

#### (c) Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used).

Financial assets/ Financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
	31 August 2021	31 August 2020			
Financial assets at FVTPL – Listed equity securities (see Note 25)	Listed equity securities: RMB8,274,000	Listed equity securities: RMB8,702,000	Level 1	Quoted bid prices in an active market	NA
Financial assets at FVTPL – wealth management products (see Note 25)	–	wealth management products: RMB4,203,000	Level 2	Discounted cash flow, future cash flows are estimated based on contractual terms of the wealth management products and discounted at a rate that reflects that credit risk of the counterparties	NA
Contingent liabilities in a business combination (as included in contingent consideration)	RMB24,178,000	RMB26,846,000	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration arrangement in relation to the second tranche transaction of STAR acquisition, based on an appropriate discount rate.	Probability profits target and dividends (if any)
Convertible Bonds Issued by the Group and designated at FVTPL (Note 33)	RMB753,665,000	–	Level 3	Binomial option pricing model and discounted cash flow method	Expected volatility of 30.0%, Risk free rate of 2.613%, Dividend yield of 0.00%, Discount rate: 7.00%

Note 1: A slight increase in the discount rate used in isolation would result in a significant decrease in the fair value measurement of the Convertible Bonds, and vice versa. A 1% increase in the discount rate holding all other variables constant would decrease the carrying amount of the Convertible Bonds by RMB25,766,000.

Note 2: A slight increase in the expected volatility/dividend yield used in isolation would result in a significant increase/decrease in the fair value measurement of the Convertible Bonds, and vice versa. A 2% increase in the volatility holding all other variables constant would increase the carrying amount of the Convertible bonds by RMB6,442,000. A 1% increase in the dividend yield holding all other variables constant would decrease the carrying amount of the Convertible Bonds by RMB6,442,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 39. FINANCIAL INSTRUMENTS (Continued)

#### (c) Fair value measurements of financial instruments (Continued)

##### Reconciliation of Level 3 fair value measurements

	<b>Contingent consideration in business combinations</b> RMB'000	<b>Convertible Bonds</b> RMB'000
At 1 September 2020	26,846	–
Issued	–	808,551
Total losses:		
in profit or loss	(1,420)	(52,737)
Exchange adjustments	(1,248)	(2,149)
At 31 August 2021	24,178	753,665

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

There were no transfers between Level 1, Level 2 and Level 3 for the years ended 31 August 2021 and 2020.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Consideration Payable RMB'000	Convertible bonds RMB'000	Dividends payable RMB'000	Borrowings RMB'000	Interest payable RMB'000	Lease liabilities RMB'000	Amounts due to related parties RMB'000	Total RMB'000
At 1 September 2019	-	-	-	330,989	-	193,443	-	524,432
Financing cash flows	-	-	(149,522)	3,209,359	-	(20,228)	-	3,039,609
Dividends/Interest paid	-	-	149,522	-	(10,194)	-	-	139,328
New leases entered	-	-	-	-	-	6,742	-	6,742
Interest expenses	-	-	-	1,615	10,194	6,501	-	18,310
Acquisition of subsidiaries	203,225	-	-	98,638	-	14,525	-	316,388
Foreign exchange translation	-	-	-	(10,035)	-	(7)	-	(10,042)
At 31 August 2020	203,225	-	-	3,630,566	-	200,976	-	4,034,767
Financing cash flows	-	808,551	-	(858,602)	-	(28,999)	-	(79,050)
Dividends/Interest paid	-	(9,325)	-	-	(68,840)	-	-	(78,165)
Payment of Convertible Bonds issuance costs	-	-	-	-	(8,138)	-	-	(8,138)
New leases entered	-	-	-	-	-	3,428	-	3,428
Interest expenses	10,680	9,325	-	18,912	76,978	5,634	-	121,529
Gain arising from changes in fair value	-	(52,737)	-	-	-	-	-	(52,737)
Deconsolidation of the Affected Schools	-	-	-	-	-	(161,538)	1,868,047	1,706,509
Foreign exchange translation	(9,900)	(2,149)	-	(162,293)	-	(683)	-	(175,025)
At 31 August 2021	204,005	753,665	-	2,628,583	-	18,818	1,868,047	5,473,118

### 41. MAJOR NON-CASH TRANSACTIONS

During the current year, the Group entered into new lease agreements for the use of leased properties for 1.5~5 years. On the lease commencement, the Group recognised RMB3,428,000 of right-of-use asset and RMB3,428,000 of lease liability (2020: RMB6,742,000 right-of-use assets and RMB6,742,000 lease liabilities).

During the current year, a non-controlling interest shareholder of a subsidiary of the Group settled its amount due to the subsidiary in exchange for its equity interest in the subsidiary. This transaction is recorded as an equity transaction with the difference of the amount settled and the book value of additional equity interest obtained by the Company of RMB12,282,000 recorded as other reserve.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 42. OPERATING LEASING ARRANGEMENTS

#### The Group as lessor

All of the properties held by the Group for rental purposes have committed lessees for the next 1~2 years.

Undiscounted lease payments receivable on leases are as follows:

	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
Within one year	12,369	3,557
In the second year	176	2,386
	<b>12,545</b>	5,943

### 43. CAPITAL COMMITMENTS

	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements: Acquisition of property, plant and equipment	<b>22,761</b>	102,012

There was no capital commitments which were authorised but not contracted for as at 31 August 2021 and 2020.

### 44. RELATED PARTY TRANSACTIONS AND BALANCES

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

#### (i) During the year, the Group entered into the following balances with related parties:

Relationships	Nature of balances	2021 RMB'000	2020 RMB'000
The Affected Schools	Amounts due from (current)	296,757	–
The Affected Schools	Amounts due to (non-current)	1,861,994	–
The Affected Schools	Amounts due to (current)	6,053	–

The above amounts due to and amounts due from the Affected Schools represents balances between the Group and the Affected Schools. Prior to 31 August 2021, these balances were eliminated upon consolidation of the Affected Schools by the Group. As described in Note 2, the Group deconsolidates the Affected Schools on 31 August 2021, and these balances were no longer eliminated and shown as amounts due to or amounts due from the Affected Schools. As of 31 August 2021, the Affected Schools are legally owned by the affiliated entities of the Group, consequently the Affected Schools are related parties of the Group.

The current portion of the amounts due to and amounts due from the Affected Schools represents balances which are due on demand. The non-current portion of the amounts due to Affected Schools represent long-term borrowing from Affected Schools. The original term of these borrowing were five years and interest free, the remaining term of these borrowing range from two to five years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 44. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### (ii) Compensation of key management personnel

The remuneration of Directors and other members of key management of the Group during the financial year are as follows:

	2021 RMB'000	2020 RMB'000
Short-term benefits	11,843	11,960
Post-employment benefits	13	10
Share-based payments	2,227	4,871
Others	2,218	2,304
	<b>16,301</b>	19,145

### 45. CONTINGENT LIABILITIES

On 15 November 2016, the Company received a writ of summons from Hong Kong Zhixin Financial News Agency Ltd. (“**Zhixin**”) seeking among other things, specific performance of the consultancy agreement between the Company and Zhixin by the allotment and issue of 7,000,000 shares of the Company to Zhixin, and damages in lieu or in addition thereof (“**Zhixin Case**”). On 28 November 2016, the Company filed with the High Court of the Hong Kong Special Administrative Region its acknowledgement of service of the writ and indicated its intention to defend the claim.

In December 2016, Zhixin took out an application for summary judgment against the Company. The hearing of the summary judgment application took place on 25 October 2017 in which Zhixin’s application was dismissed. The case now has proceeded to the main trial stage.

On 29 January 2018, Zhixin filed its amended statement of claim to allege that it is entitled to 17,500,000 shares of the Company by virtue of an option (the “**Option**”) provided in the Agreement. The date of hearing at the Court of First Instance of the High Court for the Zhixin Case is fixed on 16 May 2022.

Based on information currently available to the Company, it is not possible to estimate the financial effect of the Zhixin Case. As at 31 August 2021, the Company had not made any provision in respect of the Zhixin Case.

The number of shares disclosed above has not considered the effect of the Share Subdivision that became effective on 9 July 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	at 31 August 2021 RMB'000	at 31 August 2020 RMB'000
<b>Non-Current Assets</b>		
Investments in subsidiaries	192,696	192,696
Amounts due from subsidiaries	2,512,430	2,786,579
Amounts due from related parties	55,333	–
Property and equipment	16	26
Right-of-use assets	613	175
	<b>2,761,088</b>	2,979,476
<b>Current Assets</b>		
Deposits, prepayments and other receivables	15,204	16,208
Financial assets at fair value through profit or loss	8,274	8,702
Bank balances and cash	130,592	124,277
	<b>154,070</b>	149,187
<b>Current Liabilities</b>		
Other payables and accrued expenses	3,647	4,258
Borrowing	1,247,218	2,099,395
Lease liabilities	602	176
	<b>1,251,467</b>	2,103,829
<b>Net Current Liabilities</b>	<b>(1,097,397)</b>	(1,954,642)
<b>Total Assets Less Current Liabilities</b>	<b>1,663,691</b>	1,024,834
<b>Capital and Reserves</b>		
Share capital (Note 34)	9,309	9,309
Reserves	900,717	1,015,525
	<b>910,026</b>	1,024,834
<b>Non-Current Liability</b>		
Convertible Bonds (Note 33)	753,665	–
	<b>753,665</b>	–
	<b>1,663,691</b>	1,024,834

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Note: In preparing the financial statements of the Company, the Directors have given careful consideration to the future liquidity of the Company in light of the fact that the Company had net current liabilities of RMB1,097,397,000 as at 31 August 2021.

The Directors consider that it is appropriate to prepare the Company's financial statements on the going concern basis taking into accounts the cash flow forecast of the Company prepared by the management of the Company and the nature of current liabilities and the Directors expect that operating activities of the Group can contribute substantial cash inflow to repay all liabilities when due and capital commitment of the Group or the Company when the amount is due.

Notwithstanding the above, as described in Note 2, the Group might not be able to continue to operate as a going concern, which may have impact on the Company's ability to continue to operate as a going concern.

Movement in reserves is as follows:

	Share premium RMB'000	Shares held for restricted share award scheme RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 September 2019	1,162,552	(23,855)	31,106	(17,912)	1,151,891
Loss for the year	-	-	-	(3,021)	(3,021)
Total comprehensive expense for the year	-	-	-	(3,021)	(3,021)
Share-based payments	-	-	16,177	-	16,177
Dividends recognised as distribution	(150,656)	-	-	-	(150,656)
Dividends distribute to the restricted share award scheme	1,134	-	-	-	1,134
Shares vested under restricted share award scheme	-	1,575	(1,908)	333	-
At 31 August 2020	1,013,030	(22,280)	45,375	(20,600)	1,015,525
Loss for the year	-	-	-	(123,378)	(123,378)
Total comprehensive expense for the year	-	-	-	(123,378)	(123,378)
Share-based payments	-	-	8,570	-	8,570
At 31 August 2021	1,013,030	(22,280)	53,945	(143,978)	900,717

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at the end of the reporting period are set out below:

Name of subsidiary	Date of incorporation/ establishment and place of operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group		Principal activities
			As at 31 August 2021	2020	
Maple Leaf International School – Dalian 大連楓葉國際學校	15 April 1996 The PRC	USD5,000,000	100%	100%	High school education
Dalian Beipeng Educational Software Development Inc. 大連北鵬教育軟件開發有限公司 (Note ii)	10 March 2008 The PRC	USD33,400,000	100%	100%	Technical support
Shenzhen Beipeng Educational Software Development Inc. 深圳北鵬教育軟件開發有限公司 (Note ii)	31 May 2021 The PRC	RMB100,000,000	100%	100%	Technical support
Dalian Maple Leaf Science and Education Co., Ltd 大連楓葉科教有限公司	9 January 2003 The PRC	RMB8,500,000	100%	100%	Investment holding
Dalian Educational Group 大連楓葉教育集團有限公司	23 May 2003 The PRC	RMB140,000,000	100%	100%	Investment holding
Maple Leaf International Schools – Dalian (Dalian Middle School and Elementary School) 大連楓葉國際學校 (民辦初中、小學) (Note iv)	3 September 1996 The PRC	RMB8,500,000	0%	100%	Middle and elementary school education
Shenzhen Educational Group 深圳楓葉教育集團有限公司	1 June 2021 The PRC	RMB100,000,000	100%	100%	Investment holding
Maple Leaf International School – Wuhan 武漢楓葉國際學校	26 June 2007 The PRC	RMB21,303,454	100%	100%	High school education
Maple Leaf International School – Tianjin Teda 天津泰達楓葉國際學校 (Note iv)	1 September 2008 The PRC	RMB8,000,000	0%	100%	High, middle, elementary school education
Maple Leaf International School – Chongqing 重慶楓葉國際學校 (Note iv)	25 June 2009 The PRC	RMB43,500,000	0%	100%	High, middle, elementary school and preschool education
Maple Leaf School – Wuhan 武漢楓葉學校 (Note iv)	24 June 2010 The PRC	RMB2,000,000	0%	100%	Middle and elementary school education

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date of incorporation/ establishment and place of operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group		Principal activities
			As at 31 August 2021	2020	
Maple Leaf International School – Zhengjiang 鎮江楓葉國際學校 (Note iv)	21 June 2011 The PRC	RMB10,000,000	0%	100%	High, middle and elementary school education
Maple Leaf International School – Henan 河南楓葉國際學校 (Note iv)	26 April 2012 The PRC	RMB2,010,000	0%	100%	High, middle and elementary school education
Maple Leaf International School – Shanghai 上海楓葉國際學校 (Note iv)	20 March 2013 The PRC	RMB5,000,000	0%	100%	High and middle school education
Maple Leaf International School – Pingdingshan 平頂山楓葉國際學校 (Note iv)	20 January 2014 The PRC	RMB1,000,000	0%	100%	Middle and elementary school education
Maple Leaf International School – Tianjin Huayuan 天津華苑楓葉國際學校 (Note iv)	11 September 2014 The PRC	RMB4,000,000	0%	100%	Middle and elementary school education
Maple Leaf International School Affiliated School – Yiwu 義烏楓葉國際學校附屬學校 (Note iv)	6 November 2014 The PRC	RMB500,000	0%	100%	Middle and elementary school education
Dalian Maple Leaf Supermarket Co., Ltd. 大連楓葉紅超市有限公司 (Note ii)	29 April 2015 The PRC	RMB2,000,000	100%	100%	Retail business
Dalian Maple Leaf Clothing Co., Ltd. 大連楓葉紅服裝有限公司 (Note ii)	26 August 2015 The PRC	RMB100,000	100%	100%	Clothing related services
Maple Leaf International School – Pinghu 平湖楓葉國際學校 (Note iv)	2 September 2015 The PRC	RMB2,000,000	0%	100%	Middle and elementary school education
Maple Leaf Education North America Limited (Note iii)	4 February 2016 Canada	nil	100%	100%	Education related services

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date of incorporation/ establishment and place of operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group As at 31 August		Principal activities
			2021	2020	
Maple Leaf International School – Huaian Enlai 淮安恩來楓葉國際學校 (Note iv)	18 March 2016 The PRC	RMB2,000,000	0%	100%	Middle and elementary school education
Maple Leaf International School – Xi'an 西鹹新區空港楓葉國際學校 (Note iv)	7 April 2016 The PRC	RMB2,000,000	0%	100%	High, middle and elementary school education
Maple Leaf International School – Hainan 海南楓葉國際學校 (Note iv)	24 January 1994 The PRC	RMB37,500	0%	100%	High, middle and elementary school education
Maple Leaf International School – Yancheng 鹽城楓葉國際學校 (Note iv)	2 March 2017 The PRC	RMB30,000	0%	100%	Elementary school education
Maple Leaf International School – Huzhou 湖州楓葉國際學校 (Note iv)	23 March 2017 The PRC	RMB2,000,000	0%	100%	Middle and elementary school education
Maple Leaf School – Shenzhen 深圳市楓葉學校 (Note iv)	30 August 2016 The PRC	RMB106,000,000	0%	55%	High, middle and elementary school education
Maple Leaf International School – Haikou Jiangdong 海口江東楓葉國際學校 (Note iv)	1 September 2004 The PRC	RMB3,300,000	0%	100%	High, middle and elementary school education
Maple Leaf Jade International School – Luzhou Jiangyang 瀘州市江陽區楓葉佳德學校 (Note iv)	15 March 2019 The PRC	RMB37,100,000	0%	75%	Middle and elementary school education
Kingsley International Sdn Bhd	12 December 2010	MYR17,500,000	100%	100%	High, middle and elementary school education
Canadian International School Pte Ltd.	12 May 1990	SGD300,000	90%	90%	High, middle and elementary school education



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2021

### 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

- (i) *The English names of the subsidiaries established in the PRC are for identification purpose only. The official names of these subsidiaries are in Chinese.*
- (ii) *The legal forms of Beipeng Software, Dalian Maple Leaf Supermarket Co., Ltd. and Dalian Maple Leaf Clothing Co., Ltd. were limited liability companies incorporated in the PRC. All other entities established in the PRC are schools, including high schools and preschools.*
- (iii) *The registered capital of these subsidiaries are nil as there is no capital requirement under the local laws and regulations.*
- (iv) *As disclosed in Note 2, the Group has deconsolidated the Affected Schools on 31 August 2021.*
- (v) *None of the subsidiaries have issued any debt securities at the end of 31 August 2021 and 2020.*